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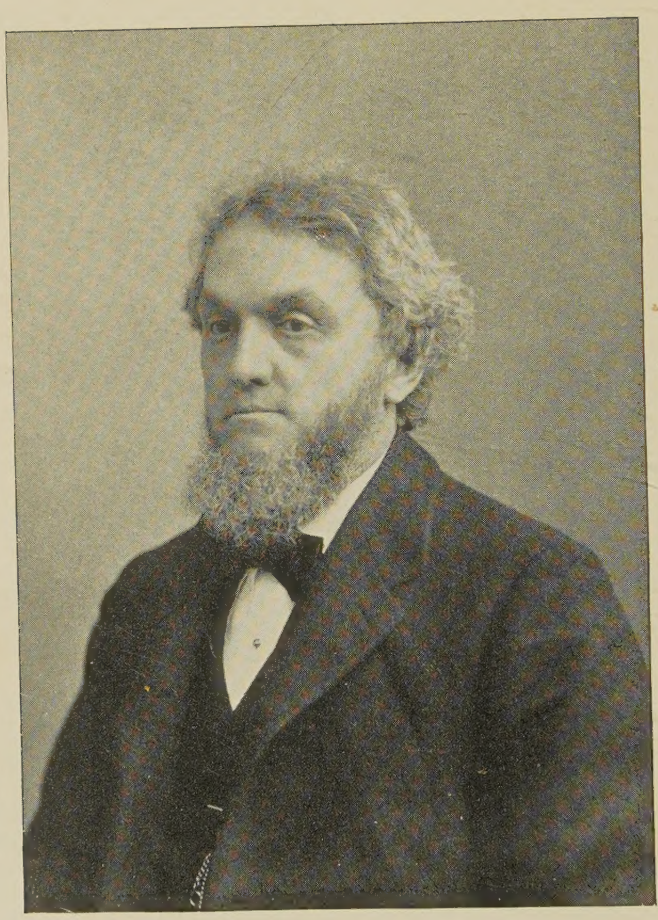

Wharton Barker

BIMETALLISM:

OR

EVILS OF GOLD MONOMETALLISM AND THE BENEFITS OF BIMETALLISM.

BY

WHARTON BARKER.

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Introduction.

RECOGNIZING the deplorable condition of our producing classes, perceiving the losses inflicted on employers, and alive to the distress and suffering of the wage-earning classes caused by falling prices, it has been our earnest endeavor to make clear the cause and point out the remedy. Finding that the era of falling prices was inaugurated with the demonetization of silver in 1873, and that as silver has been gradually discarded as a money metal prices have fallen further and further, and convinced that the fall in prices is in great part due to the increasing value of gold caused by the closing of the mints to silver, thus throwing upon gold alone the burden of effecting the world's exchanges, we believe that permanent prosperity cannot be restored until silver is again restored to its time-honored place as money, sharing equally with gold the money functions.

We firmly believe that business depression, curtailed production, enforced idleness and lower wages for the wage-earning classes, with cousequent suffering and distress, are inseparable from an appreciating standard of value, and we are convinced that wealth will rapidly be centered in the hands of the few, that our social order will crumble and that retrogression will take the place of progress if no steps are taken to check the appreciation of gold.

We attribute the paralysis of industry to the appreciating gold standard, because:

1. With the fall in prices, or in other words the increased purchasing power of gold, all debts, public and private, have become doubly burdensome. The farmer who has a mortgage on his farm finds he is forced to part with two bushels of wheat to raise the dollar to meet interest charges, where before one sufficed. The wage-earner struggling to buy his home finds it harder and harder to meet the monthly installments. Harder and harder he toils. The sacrifice of labor which he must make to earn the dollar necessary to save his home becomes greater and greater. Yet even as he gradually pays off the incum-

brance on his home, he finds his equity in the property growing less and less. And if, perchance, sickness overtakes him, if he fails to meet the monthly payment and his home is sold, it brings less than the incumbrance, and he finds all his savings swept away. As with the wage-earner and farmer, so it is with manufacturer and employer who are borrowers of money. But this is not all, for rent, taxes, all fixed charges, all call for a greater sacrifice of the products of labor. The interest-bearing National Debt has been reduced from $1,700,000,000 in 1873 to $850,000,000 to-day, but prices have so fallen that the payment of this $850,000,000 to-day would require as great a sacrifice of labor as the payment of the $1,700,000,000 twenty-three years ago at then ruling prices. And the National Debt, great as it is, pales into insignificance when compared with the corporate and private debt of our people, which amounts to not less than $30,000,000,000. On all this sum debtors are required to pay double interest owing to the fall in prices and the depreciation of the property that goes to pay debts.

2. As commodities continue to fall calculations of profit in production fail to be realized and the producer, finding it impossible to dispose of the products of labor at a price sufficient to recompense him for the cost of the raw material bought at a much higher price than that at which he could replace it, and for his labor and that of his employees, loses all incentive to production. Consequently production falls off, with it demand for labor is curtailed, and enforced idleness and lower wages follow.

3. As wholesale prices are the first to fall, the farmer and the manufacturer, who are the employers of labor, and who dispose of their products at wholesale prices, are the first to suffer from falling prices. Dependent upon the prices received for their products for money with which to pay their employes they must cut wages as prices fall. But for the wage-earner to accept a reduction in wages equivalent to the fall in wholesale prices means a lower level of living, poverty and distress, for the wage-earner spends his wages at retail prices, which are last to fall. Hence he resists cuts in wages; strikes and lockouts follow, with resulting loss of wealth. Much strife and ill-feeling

is engendered, but little is gained by the wage-earner, for falling prices make it absolutely impossible for the employer to pay the old rates of wages. To do so would mean bankruptcy. Wages do finally fall, for the employer seeing little prospect of profit has little incentive to run his factory or mill. Wage-earners being anxious to work, but employers having no desire to employ at old wages, only at a sacrifice can the wage-earner find employment. True, wages do not fall as fast as wholesale prices, and thus the employer, paying taxes, rent and interest that have become with the fall in prices doubly burdensome, suffering losses from the constant depreciation of stock, and paying wages that fall not so fast as the wholesale prices at which he sells, finds himself impoverished by production. But on the other hand the wage-earner, with his wages fixed in the end by wholesale prices, and spending them at retail, finds his real wage growing rapidly less and less.

4. Investments in productive industries yielding little or no profit, the owners of money withdraw it from productive enterprises and invest it in low interest-bearing bonds, so that they may reap the increased and unearned increment caused by the increasing purchasing power of the dollar. The owners of money thus avoiding the investment of their money in industrial enterprises, and in the products of labor that are continually falling in price, money accumulates in the financial centers. As a result the owners of the products of labor must seek the owners of money for a market, and are thus placed at the mercy of those who monopolize money and who are in a position to dictate prices.

5. Finally, the so-called depreciation of silver has caused a great stimulus to industries in silver using countries, and incites competition among such people for our markets. To the Chinese and Japanese, the Mexican, the Indian, the ounce of silver is as valuable as ever. With them it goes as far in paying taxes, rents, interest, and it buys as much food and domestic manufactures as ever. The silver-using peoples can thus afford to sell as much for an ounce of silver quoted as worth only 68 cents in gold as for an ounce worth $1.29, the old price. Thus they

gladly offer their products to gold-using peoples at one-half the rates in gold that they asked before silver was demonetized. Meeting Argentinian and Indian competition for the European markets, our farmers have been forced to cut the price of wheat, and our planters the price of cotton, in half. But the competition does not stop here. It is now manufactured goods. The appreciation of gold acts as a bonus of 100 per cent. on exports from silver-using countries to gold-using. The Japanese merchant buying for silver but selling in America for gold is obviously at a great advantage. At old prices the premium on gold over silver is his additional profit, and to secure our market he of course stands ready to undersell us until prices are so reduced as to absorb this profit.

Recognizing the above as the baneful and inevitable results of gold mono-metallism we have felt it to be our duty to work for the restoration of silver to its time-honored place as money at the ratio of 16 to 1. Believing moreover that it is America's place to command, not to follow, we spurn to wait upon the consent of Great Britain, especially as we see that Great Britain is ruled by the creditor classes, among whom converts to bimetallism are only made at the cost of a dozen ruined producers in American and other debtor nations.

During the past eighteen months we have discussed the monetary question in all its phases in the columns of THE AMERICAN, and the following pages are compiled in large measure from the subject-matter of editorials that have appeared in THE AMERICAN from week to week. We now submit this work to the great body of American voters who hold the destiny of America in their hands, in the hope that it may not fail, during the coming campaign, to be of some service and assistance to those struggling to preserve our financial and industrial, as well as political independence, and to save our producing classes from the thraldom of virtual slavery to the foreign money cliques and their allies in America, who are striving to fasten the appreciating gold standard on our country.

WHARTON BARKER, *Editor.*

THE AMERICAN.

Philadelphia, June 15th, 1896.

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WHAT WE MUST DO TO WIN.

BIMETALLISM, or two-metallism, is the use of both gold and silver as money without discrimination against either metal, which of course means that the same privileges of mintage and legal-tender be given to both metals. Our mints are at this time, open to the free and unlimited coinage of gold into full legal tender coin, but this privilege is denied to silver. Until we give the same privileges to silver as to gold, and treat both metals, alike, we cannot have Bimetallism. Bimetallism means therefore the free and unlimited coinage of both gold and silver into full legal-tender coins.

CHAPTER I.

Money.—The Instrument of Association.

The Diversification of Industries dependent on an Ample Supply of Money.—Money and Civilization.—The Instrument of Association and the Life Blood of Commerce.—A Narrow Supply of Money Checks Civilization.

THE necessity of money growing out of the difficulties, inconveniences, and often the impossibility of effecting exchanges by barter, just as soon as man emerged from the savage and entered the tribal state, bringing with it a diversification of industries and the need of those engaged in different pursuits of exchanging the surplus products of their labor, the use of money became imperative, and with every step of progress and towards a greater diversification of employments the use of money has of necessity become more extended.

Indeed, the very possibility of progress and of that diversification of industries which makes man's labors most remunerative, provides him with the most comforts, gives him a greater command over the resources of nature and marks an advance in civilization, is dependent on a co-incident increase of and extended use of money, for without such extended use it would be impossible to effect the increased number of exchanges resulting from a greater diversification of industries save at lower prices, goods would pile up unsalable on the producer's hands and the new industries close because of the inability of the producer to dispose of his products at a profit. So we find that an increased and extended use of money has invariably preceded and been co-incident with periods of marked industrial development and general progress. Step by step the use of money has increased with the advance of civilization. Not all at once, but gradually, money replaced barter in effecting exchanges. First undoubtedly used only as a "boot," as an aid in barter, the use of money has grown gradually more extended and the exchanges of products by barter more rare. Naturally some product for which there was general demand and of recognized value was chosen by common consent as a common medium of exchange when the need of money became felt.

Naturally gold and silver, found pure in a state of nature, ever regarded as precious metals and universally used among semi-barbarous tribes as jewellery, as ornaments, as talismen of superstition, came to be regarded as a common medium of exchange. Moreover, of all metals, none are so suited for monetary use as gold or silver. The great preponderance of the stock of gold and silver in existence, over the annual yield of the mines, insures to the precious metals a stability of value that is possessed by no other metals, for the total stock in existence being so many times greater than the annual yield, changes in production, though great in themselves can have but a remote effect on their value. Therefore gold and silver are, of all commodities, peculiarly fitted as a measure of value, and this very stability of value gave them a wide and general acceptability among all peoples as a tender in payment for purchases before the art of coinage was known. Moreover, the precious metals suffer no deterioration or loss in weight, as from rust or other causes, consequent on long exposure to the air, and they possess a homogenity and great malleability that adapts them for coinage purposes.

So it is that we find that from the dawn of civilization down to 1873 gold and silver were accepted jointly and by common consent as the recognized measure of value and universal medium of exchange.

Money cannot be better defined than as the *instrument of association*, for without money diversification of employments would be checked through the difficulty, which in many cases must amount to impossibility, of exchanging goods by barter. Moreover, the advancement of the human race is dependent upon that closer association of man with man, and that diversification of employments that makes labor most productive.

Money and Civilization.

Indeed all that we understand by the comprehensive term civilization, all advancement in knowledge, all progress, material and other, is depenent upon the ability of man to associate with and depend upon his fellow-man for assistance. That which distinguishes man from other animals is this very power of asso-

ciation, and deprived of this power, man would be as incapable of progress as other animals. Man separated from his fellow-man and dependent on his own resources alone must ever remain in a barbarous state, and it is only as intercourse between man and man becomes closer, and men learn to become reciprocally dependent on one another, that the barbarous tribe gradually develops into the semi-savage and finally civilized state.

Only with association is division of labor possible, for unless man can readily dispose of the surplus product of his labor, directed in a special line for which he is or has peculiarly adapted and accustomed himself, for the surplus products of others, differently occupied, he must occupy himself with supplying his own needs directly by his own labor as best he can, for if he cannot exchange his surplus product for that of others he would have no motive to produce it, even if it were physically possible for him to do so, which it would not be, for he would die of the want of those commodities he did not make himself. The one need of man, then, to enable him to make the most economical use of his labor and time, is association, and the degree of association and hence advancement of civilization is dependent upon the ease with which the surplus products of one class of men, engaged in one industry, can be exchanged for the surplus products of those engaged in other industries.

If wealth, food, clothing, the comforts of life, produced by different producers especially adapted by training or circumstances to the production of certain forms of wealth, cannot be distributed amongst the various consumers without a great waste of labor and energy, such diversification of labor cannot take place, for the profits that should be derived from such diversification are absorbed by the cost of distribution. Such distribution can only be cheaply carried on by means of money, and thus money has justly been called the instrument of association, for without it association could never have reached its present advanced stage, with resulting diversification of industries and advancement of civilization. Deprive producers of the free use of this tool of distribution, as by contracting the supply of money, making it dear and its use costly, and we destroy the

incentive to the division of labor by making distribution so wasteful of the energy and labor of the producer as to absorb the benefits that would otherwise be derived from the resulting saving of labor from such diversification of industries.

Thus, with the contraction of money, the instrument of association, and the centralization of this instrument in a few hands, thus placing the producing classes at the mercy of the owners of money, we have seen time and again industries destroyed, progress checked, civilization retrograde and empires crumble. And on the contrary with an increasing supply of money, ample to the needs of the producing classes, we have seen new life instilled into down-trodden and enslaved peoples, and progress, freedom and happiness take the place of despair, slavery and retrogression. This picture is not imaginary or overdrawn. Compare the rise and rapid growth of the Roman Republic as long as Rome was amply supplied with gold and silver, first from the mines of Spain and then the spoils of Asia, to the more rapid decline of the Empire with the appreciation of gold consequent to the falling off in the production of the Spanish mines, the exhaustion of the hoards of Asia, and a demonetization of silver in the third century, with the result that the wealth of Rome became more and more centralized in a few hands, the tillers of the soil impoverished and enslaved, industries destroyed, and the populace of Rome reduced to such low depths of degradation and despair that they could offer but a feeble resistance to the encroachments of the German tribes that finally overwhelmed the Empire. Witness also how Europe awoke from the darkness of the Middle Ages as the silver of America found its way first into Spain and then through Europe, and how upon the discovery of gold in California and Australia the world made such advances as were never before recorded by history.

Association Without Money Impossible.

Truthfully can it be said that association would be as impossible without money as without language. Without money surplus products of labor could be only exchanged by barter,

and the difficulties of barter are so great as to effectively check the production of such surplus.

Just as an ample supply of money would economize labor by making distribution easy and thus encourage production by securing to the producers the full rewards of their labor, so the contraction of the money of the world by the discarding of silver by the Western nations, the appreciation of gold and the resulting accumulation of money in the financial centers, has unduly taxed producers, and by enabling the owners of money to absorb a large part of the products of labor, has discouraged industry and retarded civilization.

The gold monometallists, unable to meet the arguments of the bimetallists, are prone to erect straw men and then tear them down. They take much seeming satisfaction in ridiculing the idea that by merely doubling the money of the world we can double the wealth, an idea not put forward by bimetallists, but which has taken deep root in their imaginations. Money, they continue, cannot produce wealth, and then just as if bimetallists claimed that it did directly create wealth, they triumphantly ask if it is not absurd to suppose that just as you increase the money of a country you can increase the quantity of food, of clothing, of shelter and other material wealth, and then finish all this up by childishly asking whether bimetallists suppose a hungry and suffering multitude conld be fed, or their backs covered by clothing, or their bodies warmed, by simply adding to the supply of money.

The Life-Blood of Trade and Commerce.

Money does not directly create wealth. Certainly not. But it is none the less an important factor in production. It is the life-blood of trade and commerce.

An ample supply of money, giving assurance to the producer that he will have no difficulty in exchanging his surplus products for the surplus products of others, instills life and energy into industries which can never receive a true development while the returns of labor are ever in doubt. As a result of the contraction of money and its centralization in a few hands, the owners

of money are placed in a position to reap the rewards of other's industry in payment for the use of money, the instrument of association. Not as interest, no, but by depressing the prices of the products of labor before they will give money in exchange, which the robbed producers must have in order to avail of their surplus products. But the tax levied on producers by a contracted supply of money does not stop here, for just as those controlling money are put in position to make themselves the only market for the products of others, they are in position to charge monopoly prices for what they sell to producers as consumers.

Money does not indeed create wealth. But with an ample supply of money, with distribution made easy, never would we see, as in the winter of '94–'95, western farmers unable to buy coal, burning oats and corn and wheat for fuel, while Pennsylvania coal miners were starving for the very food the farmers were burning, because the cost of exchanging this food for coal, of distributing the surplus products of the farms for the products of the mines, was made so great by the cost of commanding money, the instrument of exchange, that the exchange was impossible. Never, if money was ample and not monopolized, thus enabling the exchange of commodities without loss, would we see the farmers in lack of sufficient clothing while the weavers were idle and suffering from the want of food. Truly the gold standard is paralyzing the productive capacity of a great people.

A Narrow Supply of Money Checks Civilization.

To sum up, an ample supply of money is necessary to an advanced state of civilization, and civilization cannot advance without a corresponding increase in the supply of money. When the friends of silver declare that the progress of civilization is impeded by a narrow supply of money, that if the money of the world is further contracted we will drift into another period similar to the dark ages, and when they state that a contraction in the volume of money and the consequent centralization of all wealth in the hands of the creditor classes destroyed the civilization of Rome and caused the demoralization and barbarism

that existed during the centuries that preceded the discovery of America, they are laughed and sneered at by the gold-monometallic press. But this assertion of bimetallists will not appear so ridiculous to those who will consider the following facts :

Without division of labor civilization cannot advance, and without the power of exchange division of labor would be impossible. Man differs from other animals in his capacity for progress, and this depends upon a quality that no other animal possesses, namely, the instinct of exchange. If man did not possess this all-important power each individual of the human race would have to provide himself with everything he had. Every one would have to raise or make all that he wanted, or go without, and, as a surplus could not be disposed of, there would be no incentive to create one. It necessarily follows that anything which tends to make exchanges easier and more equitable facilitates the division of labor, and with division of labor comes the increased result of each man's labor, enabling him to secure for himself more and more of the comforts of life. To restrict the division of labor must stop the progress of civilization. Money is the instrument of exchange. An ample supply of money makes exchanges easy ; an insufficient makes them difficult. When the supply of money is contracted it makes it difficult for men to dispose of their surplus products ; exchanges must then be made at a loss, and consequently the incentive to create a surplus is destroyed. The increased results which men should receive from further division of labor are taken from their grasp ; the increased product of their labor being absorbed by the losses occasioned by the difficulties in making exchanges.

That a narrow supply of money checks and destroys association, and that an ample supply of money is necessary for the progress of civilization, is a law that is borne out by the evidence of history.

CHAPTER II.

Lessons of History.

The Appreciation of Gold the true cause of the Decline and Fall of the Roman Empire.—Scarcity of Money During the Dark Ages and the Decline of Civilization.—Use of Credit Money in the Middle Ages.—The Discovery of America and the Flood of Silver revives Europe's Drooping Industries.—Will Americans pay no heed to the Lessons of the Past?—Falling Prices Lead to Poverty and Retrogression.—Rising Prices to Prosperity and Progress.—Success of the Creditor Classes in their Efforts to enhance the value of Money.—Their interest in doing so.

It is well known that Rome at first grew slowly, that the people long remained poor, and that the progress of civilization was very gradual for several centuries. It was not until the second Punic war—in fact, until after the final fall of Carthage—that Rome grew with rapid strides, that material wealth increased, and that the advance of Roman civilization became marked and rapid. The precious metals did not become abundant in Rome until after the last Punic war, and it is from this time that the great growth of Roman power and civilization dates. In the following years, as Rome extended her conquests, the accumulated treasure of centuries, hoarded in Persia and Asia Minor, was poured into Italy, and the supply of gold and silver equaled, if it did not exceed, the growing demand. Accumulation of material wealth steadily increased, and Roman power and civilization advanced unchecked until it culminated during the reign of Augustus. Then the flood of the precious metals was at its height, and the supply quite equal to the demand.

The Appreciation of Gold and the Fall of Rome.

At about this time the supply that had been constantly augmented by the addition of conquered hoards failed, while the supply from the mines was small. The precious metals began to appreciate first slowly, then more rapidly, and prices fell, industry was paralyzed, and Roman power commenced to decline. The burdens of the producing classes increased with the growing scarcity of silver and gold, and finally, under the influence of the creditor classes, and with a view to increasing the imperial taxes,

the value of money was further increased, arbitrarily, by an imperial edict (221 A.D.), destroying silver as a money metal, and making gold the only legal-tender money.

Consequently prices fell lower and lower, the money-lenders received more and more in interest and principal, taxes became more and more burdensome, and producers were further discouraged by the constant depreciation of their property, which gradually fell into the hands of the creditor classes. The property of the producing classes being exhausted without paying their debts, they became the slaves of their creditors. All incentive to energy was destroyed, and the classes that once formed the strength of Rome, from which the invincible legions were drawn,—reduced as they were to slavery, were ready to welcome any change as a relief. At the same time while the producing classes were reduced to a state of slavery, the creditor classes fell into a state of growing moral corruption—a state that is always brought about by the possession of unearned gains. Thus reduced to impotency by slavery, ignorance, heathenism, and moral corruption, the Roman Empire fell an easy victim to the hordes of barbaric Germans, who marched from one end of Italy to the other without meeting any serious resistance.

The Dark Ages and the Decline of Civilization.

All became chaos, civilization retrograded and was lost, and all progress checked. Europe sank into a state of retrogression known as the Dark Ages. The barbaric tribes who, driven before the advance of the Huns, overran the tottering Roman Empire, lived at first in a state of equality, but as they settled down to agricultural pursuits the stronger men who had been recognized as leaders gradually became rulers, and established hereditary dynasties, securing for their own use a portion of the lands and produce of other men's labor. For many centuries no light broke over Europe. The rulers, at first elective, became hereditary, their rule became more and more arbitrary, and their power increased while that of their people decreased, until the producing classes were reduced to the condition of serfs. The powerful but unseen agent which brought about this change in

the relations of ruler and subject was the appreciation of money. During all this period the precious metals became scarcer and scarcer, with the result that the portion of the product of men's labor reserved for the support of the privileged classes, who had become the capitalists, became greater and greater. The sovereigns and privileged classes profited at the expense of the people, who were reduced first to poverty and then to slavery.

The First Awakening.

The decline of civilization became greater and greater, until about the tenth century the darkest period was reached. Then the appreciation of money was stopped by the reopening of the Spanish mines by the Moors, and the decline of civilization was checked. But silver still remained scarce, and the burdens of the producing classes, though not increased, were not lightened. It was not until the crusades had opened the trade with the East that any revival of importance took place, and it is to be noted that the prosperity and progress of Venice and Genoa date from the revival of the credit system with the banks of Venice (1171) and Genoa, and the consequent economizing of the precious metals. The stock of the precious metals was not increased, and the amount of credit that could be based on this small stock was, of course, limited. Outside of Venice and Genoa the credit system was not developed beyond the great annual fairs of Lyons, etc., and revival was slow. Even in Venice and Genoa the expansion caused by the use of the credit system did not keep pace with the intense activity that was developed.

The Discovery of America and the Revival of Business.

It was not until after the discovery of America and the opening of the mines of Potosi in 1545, and after the flood of silver had had time to circulate through Europe, that revival became general, that development became rapid, and the world renewed those rapid strides of progress that had been unknown through all the dreary centuries from the time of Augustus down to the sixteenth century—a period during which gold and silver were growing scarcer and scarcer, absolutely down to the eleventh

century, and relatively to the requirements of trade, if not absolutely, from the eleventh to the sixteenth centuries.

Deferring for the present the consideration of the relations of the supply of money to progress from the reawakening of the world upon the discovery of the silver mines of America down to the present time, let us consider the lesson taught by the history of the past.

The appreciation of money produced "that constant decay of agriculture and rural population, and increase in the weight of debts and taxes, to which all the contemporary annalists ascribe the ruin of the Roman Empire" (Sir Archibald Alison). With the continued appreciation of money the Dark Ages reached their darkest period about the tenth century. Then the working of the Spanish mines and the use of credit money, causing a saving in the use of the precious metals, stopped their appreciation, but the burdens of the producing classes were not lightened until the discovery of the silver mines of America, from which time dates the rapid revival of trade, the gradual emancipation of the agricultural classes from serfdom, and the progress of civilization. In this connection it may be mentioned that another great revival of trade and industry followed the discovery of the gold mines of California.

The Lessons of the Past must be Heeded.

Not through the failure in the supply of the precious metals, but through arbitrarily discarding silver, the money of the present generation is being appreciated, the agricultural classes are being ruined, and the increased weight of debts, taxes and the depreciation of property is ruining all producers, while moral corruption is creeping into our society. The same causes ruined Rome, and forced the world back into the Dark Ages. The same causes are undermining the civilization and stopping the progress of to-day.

The American people should not, must not, fail to profit by the experience of the past.

Falling Prices Lead to Retrogression.

We have pointed out that Roman power and civilization grew rapidly just so long as the supply of the precious metals was increasing not only absolutely, but relatively to the increase of population, and that at the time Roman power and civilization was at its zenith the flood of the precious metals was at its height. We have also shown that the appreciation of gold brought about by the exhaustion of the mines and by the demonetization of silver (221 A.D.) was the canker that, unperceived and unsuspected, destroyed the prosperity of the Roman people, ruined the Roman Empire, and threw Europe back into the Dark Ages.

During the decline of the Roman Empire and down to the tenth century prices fell continuously. The use of credit money then checked the fall, but by the beginning of the thirteenth century this stimulus was exhausted, and prices began to fall again. The average price of wheat for the years 1202–1286, as given by Adam Smith, was £2 19 shillings 1¼ pence per quarter (8 bushels); for the years 1453–1497, 14 shillings 1 pence, and for the years 1499–1560, 10 shillings $\frac{5}{12}$ pence. The price of wheat fell during these three centuries about 83 per cent. In other words, the purchasing power of silver had risen about 600 per cent. Is it any wonder that the agricultural classes fell into the slough of despair, that production languished, and that the progress of civilization was halted?

Rising Prices and Progress.

Columbus discovered America in 1492, but more than fifty years passed by before the supply of the precious metals was seriously affected. It was not until the discovery of the mines of Potosi in 1545 that the flood of silver reached its height, but because of Spanish restrictions on the export of the precious metals it was some time before the increased supply of silver found its way through Europe. About 1560, the full power of the stimulant was felt, prices advanced 500 per cent. and new life dawned upon Europe. The average price of wheat for the years 1499–1560 was 10 shillings $\frac{5}{12}$ pence; for the years 1561–1601,

£2 7 shillings 5 1/3 pence. Measured by wheat the precious metals had depreciated 80 per cent.

The rise in prices was abrupt and reduced the income of the privileged classes greatly. Injustice may have resulted to the creditor classes, but it must be remembered that their wealth was for the most part unearned, having grown out of the appreciation of money. But the stimulus to production was great, the impulse given to intellectual activity remarkable. The loss of the creditor classes compared with the advantages received by the producing classes was inconsiderable. The yeomanry of England were freed from thraldom, and from this time dates the wonderful growth of England.

During the seventeenth century, despite religious and civil conflicts, England grew as she never grew before. Her industries were on the brink of a mighty revolution, and her people were beginning to struggle for the prize of the Eastern trade. The demand for money outran the supply of the precious metals, but the inventive genius of the English people filled the void. The Bank of England was established in 1694, the credit system was expanded, and notes were issued until the demand was filled. The system of modern paper money, based on the precious metals, was gradually evolved during the eighteenth century, and the use of gold and silver as money was thus economized. It was a period of vast industrial expansion and great progress which culminated in the second decade of the nineteenth century.

Artificial Enhancement of the Value of Money Brings on Distress.

During the Napoleonic wars the English Government fell into the control of the creditor classes, and the system of artificially raising the value of money was inaugurated. In 1816, immediately after peace was signed, England demonetized silver, caused the notes of the country banks to be canceled, and limited the issues of the Bank of England to large notes. A great demand for gold, equal to the total production for the preceding seven or eight years, arose to fill the gap. The shock was felt

throughout the world, and prices in England dropped heavily. But the spasm was too sharp, Parliament was forced to authorize the issue of small notes, and the Bank of England issued £5,000,000 in notes before the crisis ended. The producing classes soon forgot the crisis, but the lesson was not lost by the creditor classes. They saw that issues of paper could cheapen gold. This they resolved to prevent, and under the lead of Lord Overstone, whose avowed object was the appreciation of gold, the Bank act was passed in 1844, which limited the issues of the bank (unsecured by gold) to £14,000,000. Contraction followed, and prices fell between 1840 and 1850 23 per cent. (Jevons).

The strain on the productive classes was very great, an economic convulsion was imminent, but relief came from an unlooked-for source. The output of the Russian gold mines was trebled and the gold fields of California and then of Australia were discovered. The calculations of Lord Overstone were overturned; with the flood of gold prices rose, and unrivaled prosperity returned.

In the face of this unexpected development the creditor classes abandoned for a time gold, and under the lead of Chevalier a strong movement in favor of silver-monometallism was inaugurated. Holland, German and Austria adopted the silver standard, but the gold fields soon showed signs of exhaustion, the creditor classes recovered their equilibrium, and the agitation ceased. From this time the effort to cause gold to appreciate by increasing the demand was redoubled, and in 1871–73, at the dictation of the creditor classes, Germany, the Scandinavian nations and the United States demonetized silver, thus forming a combination to depress prices. The "gold trust" had finally succeeded in fastening its grasp on the governments of the world, and bullied them into an adoption of a policy that has inflicted untold misery upon the producing classes in order that a small class might profit momentarily from their destruction.

The position of the gold-monometallists was tersely set forth in the words of Mr. Bertram Currie, of London, before the Gold and Silver Commission in 1887.

Q. But I think you said that a demand for gold increased its value. If there was a fresh demand by America, gold must *pro tanto* have increased in value.

MR. CURRIE: But what evil is done thereby, if it has?

Q. Do you think that a fall of prices due to an appreciation of the standard is no evil?

MR. CURRIE: I think a fall in prices is no evil. . . . A fall in prices benefits me.

Americans should take warning from these words, and refuse to be longer bullied by the creditor classes of Great Britain.*

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* In two remarkable works by Brooks Adams, a book entitled "The Law of Civilization and Decay" and a pamphlet "The Gold Standard—An Historical Study," the reader who desires to pursue the historical phases of the monetary question will find much of interest. For many of the facts in the foregoing chapter we are indebted to Brooks Adams' works.

CHAPTER III.

Money and Prices.

Value of Money.—The Quantitative Theory.—The Quantity of Money Regulates its Value and its Value prices.—Hence the Quantity of Money Regulates Prices.—Prices must Vary Inversely with the Value of Money.—Lord Overstone, Mill, Jevons, Locke, Ricardo, Walker, on the Quantitative Theory of Money.—When Money Rises Prices Must Fall, when Money falls Prices rise.—Commodities the True Standard of Value.—Recognized by Our Ancestors.—Their Probity.—The Law of Prices.—Supply and Demand fixes Prices, but Prices in General Gravitate around Cost of Reproduction.—Exceptions.—Gold and Silver.—Dear Money Means Low Prices, Cheap Money High.—Contraction of the World's Money by Discarding Silver.—Paper Money and Bank Credits.—Do not Take the Place of Primary Money.

It is obvious that occupations can only be multiplied, industries diversified, and division of labor become possible when the producer can readily exchange the surplus products of his labor for the surplus products of others. It is the great function of money to facilitate this exchange of surplus products, not only by supplying a common medium of exchange (which, being acceptable by all sellers, is sought for by all buyers, and therefore readily exchangeable for all commodities), but as constituting a measure by which the relative values of all commodities are compared. In the lack of a common medium of exchange and measure of value, the exchange of all products would have to be carried on by barter, but the inconveniences of barter would constitute such an onerous and oppressive tax on diversified production as to amount in most cases to absolute prohibition. "Rather than submit to the annoyance and loss of time which are necessitated by exchanges in kind (barter), most men would prefer to sacrifice their own special aptitudes and the great advantages of the division of labor, and would make for themselves the whole or the most part of what they required" (Gen. Francis A. Walker). Hence the value of money and the necessity of an ample supply of money. A contracted supply of money makes exchanges difficult, and the dearer money becomes the greater is the sacrifice called for in exchanging products, which results in an oppressive tax on production that must check or retard all progress.

As surplus products are only produced with a view of exchanging them for the surplus products of others, there is a constant demand for money equal to the total amount of surplus products in the hands of those desirous of selling or exchanging them for the products of others. It follows that the exchangeable value of the total amount of surplus products to be exchanged at one time must equal the amount of money in circulation, and that prices will vary as the relation between the amount of money in circulation and the total amount of exchangeable products decreases or increases. The use of money can only be discarded by resorting to barter, and this is so inconvenient and costly that it places practically no check on a fall in prices occasioned by contraction of the money in use.

The Quantitative Theory of Money.

When we name the price of commodities in money we inversely and of necessity name the price of money in commodities. When we give the price of a bushel of wheat in money we give the price of money in wheat. One is the equal of the other. Commodities measure the price of money just as money measures the price of commodities. It follows of necessity that anything that causes money to appreciate must cause prices of commodities to fall, commodities measured in money becoming cheaper and money measured in commodities dearer. And so inversely anything that causes money to depreciate must cause prices to rise, for the price of money in commodities falling, the price of commodities in money must rise.

As the price of money in a country, whether it be gold or silver, or both gold and silver, or irredeemable paper, is fixed as the prices of all commodities are fixed by the law of supply and demand, it follows that to decrease the supply must lead to a higher price for money, as will be shown by falling prices, unless the demand is proportionately decreased. And so on the contrary to increase the supply must cause the price of money to fall, and inversely the prices of commodities to rise, unless, indeed, the demand for money increases in equal degree with the supply, when there will be no change in prices. Now the supply of

money, as the supply of any commodity, consisting of the total stock in evistence available for use as money (or, in other words, all that is not hoarded), while the demand for money is made by those who have produce on their hands which they are desirous of exchanging for money, it follows that so long as population is growing and fully employed and production increasing, the demand for money will be increasing, and if the supply is not at the same time increased, demand for money will outrun the supply, leading to dearer money, which means, of course, lower prices for commodities.

Evidence From History.

As from the dawn of civilization down to 1873 the quantity of money in the world was dependent on the stock of gold and silver, prices have fallen and risen with a decreased and increased supply of gold and silver. During the Dark Ages, when silver was scarce and gold scarcer, prices fell to a very low level, but when upon the discovery of America, and of the silver mines of Mexico and South America, the supply of silver was greatly increased, prices rose rapidly, and progress took the place of stagnation. In the first half of this century the commerce of the world broadened and the demand for money increased, but as the struggle for independence in the Spanish-American colonies checked the production of silver, the supply of money was not correspondingly increased, and prices fell. Recovery only returned with the discovery of the Californian and Australian gold fields.

As money was based on the precious metals which rose and fell in value with increased or decreased production, the purchasing power of money necessarily varied correspondingly. But although the measure of value based on both metals was not invariable, fluctuations in value were gradual, and a standard of approximate fairness was obtained. But when silver was discarded as a money metal, gold alone became the measure of value, and as every one who had commodities for sale sought gold in exchange, the struggle for gold became intense. The supply of gold being insufficient to meet the demands made upon it, it rose in value. To make exchanges at the old level of

prices, both gold and silver were required. But silver being cast aside, the burden was thrown on gold alone. It appreciated, and as it appreciated the demand for commodities fell. Men had the same wants as before, they suffered from the need of the products that others could not dispose of; but as they could not obtain the gold with which to buy, products unsalable even at very low prices accumulated on the hands of the producers. The demand was limited to the power of men to command gold, and as gold was twice as dear, twice as hard to get as before, prices fell one-half.

The Quantity of Money Regulates Prices.

Yet there seems to be a deep-seated conviction in the minds of many persons that gold possesses some inherent property which exempts it from the laws of supply and demand, which govern the value of all commodities, and hence that gold is an unchangeable and stable measure of value. This belief that an increased or decreased supply, or an increased or decreased demand for gold, can have no effect on its stability as a measure of prices, is fostered by a time-serving gold press, even though by so doing it ignores the teachings of the great scholars who upheld the gold standard.

Lord Overstone, the most aggressive and outspoken of gold-monometallists, declared:

"A reduction of circulation must tend to lower prices."

John Stuart Mill, giving expression to the general opinion of economists, said:

"That an increase of the quantity of money raises prices, and a diminution lowers them, is the most elementary proposition in the theory of currency, and without it we should have no key to any of the others."

Jevons, one of the most careful and industrious of students, wrote:

"Prices temporarily may rise or fall independently of the quantity of gold in the country; ultimately they must be governed by this quantity. Credit gives a certain latitude without rendering prices ultimately independent of gold."

Locke tersely stated the quantitative theory of money in these words:

"The value of money in general is the quantity of all the money in the world in proportion to the trade."

And Ricardo wrote:

"The demand for money is regulated entirely by its value, and its value by its quantity."

To these terse statements of famous English economists we will only add a few words of one of America's most distinguished economists and an ardent bi-metallist, General Francis A. Walker:

"Some monometallic writers, indeed, have undertaken to prove that demonetization of silver has had nothing to do with the fall of gold prices. Such a proposition is on its face monstrous, absurd. If a number of nations have largely diminished their use of silver and largely increased their use of gold, this must have had the effect to lower prices expressed in terms of gold. To deny it is to deny that demand and supply determine value."

But despite the unanimous opinion of economists that the quantity of money regulates prices, the gold press persists in misleading the people as to the true relations between prices and the volume of money. Only recently the *New York Tribune* stated dogmatically that prices have nothing to do with the quantity of money in circulation as compared to the work to be done by money, "which is," it added "a theory so completely exploded by modern economic study and by modern practical experience that it scarcely needs an answer." It is needless to add it did not get one.

When Money Rises, Prices Must Fall.

Gold, no less than silver and all other commodities, is subject to the laws of demand and supply. Gold and silver are naturally more stable than other commodities because their cycle of production and consumption covers a long term of years, and the yearly production never amounts to more than a small percentage of the total supply. As the average yearly

production only equals about 4 per cent. of the total stock in existence, and as the greater part of this is consumed in the arts, it will be readily seen that an increase or decrease in production can only have a very gradual and almost imperceptible effect on the value of the precious metals. As they are less subject to the fluctuations of supply, gold and silver were chosen by common consent as the most suitable measure of value, and this custom was sanctioned by law.

If undisturbed by arbitrary measures affecting the demand, the precious metals constitute of all commodities the most reliable and stable measure of value, but when the domonetization of silver threw upon gold the chief burden of the currencies, a general scramble for that metal among the gold-using countries ensued, and its value doubled, as is evidenced by the fall in prices. With a lack of candor the gold-monometallists close their eyes to the appreciation of gold, which is a self-evident proposition, and attribute the fall of prices to sundry other causes.

Wheat as an Illustration.

If wheat was the measure of value and the harvest of other cereals should prove such a failure as to cause the demand for wheat to be so increased that it doubled in value, it is clear the prices of cotton, wool, iron, lead and manufactured articles would fall 50 per cent., and no sane man would attribute this fall to overproduction, or cheapening of the cost of production, or to any other cause than the increased value of wheat, the measure of value. Yet when, by doubling the demand for gold, its value has been doubled and prices measured in gold have fallen 50 per cent., the gold-monometallists have the effontery to either ignore the fall in prices or attribute it to overproduction or cheapening of the cost of production.

Commodities as Money and the Probity of our Ancestors.

In the seventeenth century the principal currency of Virginia was tobacco, and those hardy settlers had a better idea of a stable measure of value than some of the distinguished mono-

metallists of to-day, as is shown by their act in increasing the legal tender value of tobacco when the crop proved a partial failure. Not for one moment did they attribute the fall in other products to any other cause than the increased value of tobacco, and who can deny the justness of the act that declared two pounds of tobacco full tender in payment for a debt of three contracted a year before, when the two pounds had as much purchasing power as the three pounds the year before?

So during the years of the Confederation preceding the inauguration of Washington in 1789, when the country was suffering under large issues of depreciated currency of various classes, and of fluctuating value, the courts, notably of Connecticut, were authorized to sit in equity between creditor and debtor, and decree the settlement of debts contracted in this paper currency, not at their face value, but in such amounts of currency as would purchase at the time the debt was paid the same quantity of commodities as the amount of currency specified in the evidence of indebtedness would have purchased at the time the debt was contracted. If the currency had appreciated, a debt was ordered settled in less currency than it called for: if it had depreciated, in more.

Also in this connection the State of Massachusetts issued certificates of indebtedness, in 1780, that specified that "both principal and interest be paid in the then current money of said State in a greater or less sum, according as five bushels of corn, 68$\frac{4}{7}$ parts of a pound of beef, 10 pounds of sheep's wool and 16 pounds of sole leather shall then cost * * * at the then current prices of said articles."

Value of Money and Commodities Must Vary Inversely.

Fluctuations in the value of currency taught our forefathers that the appreciation of money brought about by contraction caused a fall, and the depreciation of money brought about by overissue caused a rise in prices, and when the general level of prices fell or rose they attributed it rightly to an increased or decreased value of money. The gold-monometallists might

learn a profitable lesson from our wideawake and honest ancestors.

"To say that the quantity of money regulates prices, is only the same thing as to say of an article that is bought and sold that its quantity is a material factor in determining its value" (Sir Robert Giffen). Increase the supply or quantity of wheat, and its price will fall; decrease the quantity, and it will rise. So with gold, if the quantity is gradually increased, its value will fall; if the demand is increased without a corresponding increase in the supply, the value of gold will rise, and necessarily all products measured in gold must fall correspondingly.

And this is just what has happened. Silver has been destroyed as a money metal, and a double burden has been thrown on gold.

Causes of High and Low Prices.

It is a generally accepted principle of economics that prices of all commodities are fixed by the relation of the supply of any commodity to the demand,—that when production is increased without any corresponding increase in demand, or supply remains the same while demand falls off, the market becomes overstocked and prices fall, and on the contrary, when production for any reason is curtailed, while demand remains the same or increases, the demand for such commodities outruns the stock available for sale, and prices rise. In other words, when there are more sellers in the market than buyers, prices fall, and when there are more buyers than sellers, then prices rise. This is the much quoted law of supply and demand.

It is also a generally accepted law of economics that while prices are finally fixed by the law of supply and demand the prices of all those commodities the supply of which can be increased without limit, and without adding to the cost of production, gravitate around the price that represents the cost of reproduction. And this could not be otherwise, for just as soon as the demand for such commodities increases, and prices rise above the cost of production, there is at once a greatly increased

production, thus meeting the increased demand, and prices settle back to the normal cost of reproduction.

With customary unfairness the advocates of the gold standard have seized on this law applicable to some, but not all commodities, and applied it to all commodities, gold especially, and tried to make it appear that any tendency on the part of gold to appreciate would at once be checked by increased production.

As we have just said, this law only applies to those commodities the production of which can be increased indefinitely, and without materially adding to the cost, such as manufactured articles, and agricultural products in general, but there are two other classes of commodities to which the law cannot be applied. *First*, those commodities the production of which can be indefinitely increased, but at a continually increasing cost; and *second*, those commodities the supply of which is limited. To this latter class belong the precious metals, and particularly gold. The production of gold is a matter of chance, and cannot be increased at will indefinitely, even at an increased cost of production. This alone puts gold and silver and a few other commodities in a special category by themselves, and a rise in price of such commodities cannot be stopped other than by an accidental increase in the supply or a falling off in the demand. But even accidental and large increase in the production of gold can have but a gradual effect in checking a rise in gold caused by an increased demand, for the stock of gold and silver represents the accumulated production of many years, and the production of gold and silver in any one year constitutes but a small portion of the total supply. An increased production of gold in a single year is only a dribble in the bucket, which is more than absorbed by the increased demands of a growing population.

It should, however, be remembered that a cheapening in the labor cost of production does not necessarily mean a cheapening in the money price of production, and lower prices following from an increased supply. When improved methods of production show themselves, not in lower money cost of production, but in larger wages and profits, no fall in prices follows, for, although the production is increased, the ability of the wage

earner to consume increases at a still greater rate. When commodities are cheapened, not from an increased value of money, the commodity by which they are measured, but from natural causes, to wit, improved methods of production, the demand will be greatly increased and the increased production readily consumed. It is an axiom that the more there is produced the greater will be the capacity to consume.

The demand for a commodity is fixed by the amount of labor and energy that men are willing to expend to secure the products of others. If the products thus secured do not recompense the purchasers for the labor and energy they have expended in producing the commodity which they give in exchange for the surplus products of others, the desire to make such exchanges will fall off and demand be checked. The value of anything is measured by the sacrifice of labor and energy we are willing to make to obtain it, and if the reward does not recompense us for such sacrifice, demand for such commodities at such prices will cease.

Dear Money Means Low Prices.

Prices of all commodities are then determined by the relative supply of and demand for each article. But the demand is dependent upon the ability of the would-be purchaser to command the necessary money. Hence the quantity of money in circulation measures the effective demand for goods. Moreover in referring changes in prices to variations in the relation of supply of commodities to the demand, men are apt to overlook the fact that the law of supply and demand fixes the price of money no less than of other commodities, and as all commodities are compared with and priced, that is measured, by money, a rise in the price of money naturally causes a fall in general prices in an inverse ratio to the appreciation of gold, while a fall in the price of money causes a rise in general prices. We must take into consideration, not only the value of the commodity measured, as affected by the law of supply and demand, but the value of the commodity which we use as the measure or yardstick, also as affected by the law of supply and demand. In arriving at a

price we should always take into account two things, the measure and the thing measured, the length of the yardstick as well as the cloth, and we should remember that the value of the one, no less than the other, is variable, and fixed by the law of supply and demand.

As dear money means low prices, as cheap money high prices, and as the price of money is dependent on the law of supply and demand, the question is, in what consists the supply and demand for money? Evidently the supply of money is the quantity of money in circulation, while all the property and commodities for sale, that is seeking exchange for money, constitutes the demand. Thus if we restrict the quantity of money in circulation we restrict the supply, and with the demand remaining the same the price of money rises, and everything measured in money, that is all commodities, fall in price. And so, as population increases, and a larger quantity of goods is produced, the producers of which are desirous of exchanging them for money, the demand for money increases, and if the quantity of money in circulation is not at the same time increased, the demand will exceed the supply and the price of money rise, causing in turn a fall in prices.

Demand for commodities is not synonymous with desire to consume, but is fixed by the ability of those desirous of buying to command the money to exchange for the commodities which they desire. Thus demand for commodities is fixed by the quantity of money that can be commanded and offered in exchange for commodities by would-be consumers, while the supply of commodities consists in the quantity of commodities offered in exchange for money. It follows that to increase the supply of money is to increase the demand for commodities. So to increase production, that is the supply of commodities, increases the demand for money, while the demand for money is decreased by curtailed production. As the money in circulation and all the properties and commodities for sale are reciprocally the supply and demand for each other, general prices correspond with the volume of money and fall and rise with contraction and expansion of this quantity.

The Contraction of the World's Money.

Bearing the above in mind the phenomenal fall in prices since 1873 is readily explained. The metallic money of the world in 1873 consisted in round figures of $3,700,000,000 of gold, and $3,200,000,000 of silver, but little short in all of $7,000,000,000. This $7,000,000,000 of metallic money, and the paper based upon it, which was offered in exchange for commodities, made the demand for commodities, while the commodities offered in exchange for money constituted the supply. Beginning in 1873, with the closing of the mints of the United States and France to silver, and the exchange of German silver for gold, all addition to the supply of money in the Western world has been restricted to the output of the gold fields not absorbed in the arts. This alone, making any important addition to our money impossible, would have caused money to appreciate as population grew and production increased, with the consequent increased offerings of commodities for a volume of money not proportionately increased. But step by step the silver in circulation has been reduced to dependence on gold. The result is, the Western World is doing a larger business, endeavoring to exchange a larger quantity of commodities to-day on a basis of $4,000,000,000 of gold than it did in 1873 on a basis of $7,000,000,000 of gold and silver. The supply of commodities offered in exchange for the $4,000-000,000 of gold to-day is much greater than the quantity offered for the larger amount of gold and silver in 1873, while the money to be offered for this much greater quantity of commodities is one-third less than in 1873. Four billions being required to cover more ground than seven billions of gold and silver in 1873, prices have fallen 50 per cent., for in no other way could the equilibrium between supply and demand be restored.

Paper Money and Bank Credits.

The gold momentallists rejoin that there are twenty transactions made with paper money (government credit) and bank credit where one is made with gold, and argue that prices are dependent upon the quantity of paper and credit in circulation as well as gold. They assume that prices have not been depressed

by our going to the gold standard. In so doing they ignore the fact that the volume of paper money and credit is dependent upon gold.

Any increase in our paper currency which might increase the quantity of money and thus naturally cause a slight rise in prices must at once result in a falling off in foreign purchases of our commodities, interest on our debt would accumulate and gold would be exported to Europe. Any expansion of paper would be counterbalanced by a loss of gold. So long as we persist in holding fast to the single appreciating gold standard we cannot hope to succeed in stopping the fall in prices by issues of paper, for the value of our money will automatically adjust itself to the value of the British and German currency by the export of gold. Any attempt to raise prices by issuing paper redeemable in gold, without sufficient gold for redemption, must inevitably end in panic and collapse.

Our National Treasury is at present engaged in the impossible task of supporting on the gold basis large issues of paper without the gold for redemption, and as a result is put in the pitiable plight of again and again selling its credit for gold, in order to provide the means for redemption of its notes. This humiliating spectacle should convey a lesson to those who speak so glibly about expanding credit redeemable in gold.

Not until we restore silver to its place as money and broaden the base upon which to rest our paper money can we hope to successfully expand our credit system. Supported alone by the narrow gold basis, it is already top-heavy, and is only kept from collapse by purchasing gold with the national credit.

CHAPTER IV.

Credit and Prices.

Effect of discarding silver on the Value of gold.—Credit cannot fill the place of basic money. —Contraction of Basic Money necessitates contraction of Credit Money.—Banks cannot afford to ignore this law.—Neither can governments safely violate it.—To do so must result in a drain on the specie reserve.—Expansion of paper issues in the face of contraction of basic money must bring disaster.—This is the course our government has pursued.—Hence the drain on our Treasury Gold.—Gold Standard can only be maintained by retiring Greenbacks and Treasury notes.—Such contraction would bankrupt both banks and people.—The aim of the Banks.

In their labored efforts to refute the position of bimetallists that the demonetization of silver, causing a contraction of the money of the world, resulted of necessity in a great fall in prices, the gold monometallists advance two widely different and inconsistent, but equally ridiculous, propositions.

The first is, as put forward by Mr. Roswell G. Horr, of the New York *Tribune*, that "the labor cost of a single grain of gold furnishes the measure of value," and a little money is just as useful and just as satisfactory as a measure of value as a larger quantity of money. In other words the claim is advanced that a decreased supply of gold or an increased demand cannot effect the stability of gold as a measure of value, and that its purchasing power is not thereby increased. The utter absurdity of this theory, so acceptable to the gold-monemetallists in their endeavor to prove that the purchasing power of gold is invariable, cannot be better shown than by making use of a parallel supposition.

In providing themselves with food the inhabitants of the world make use of the meat of the ox, the sheep and the hog, and of various other animals, but to a much greater extent depend for their sustenance on corn, wheat, rye, barley, rice and other cereals, and on various other vegetable foods. Suppose, now, that the prejudice of the Mussulman and the Jew against the meat of the pig should suddenly become general. Pork being no longer available for food, the demand for beef and mutton would be increased. The labor cost of raising cattle and sheep would not be increased, but the price of beef and mutton would be increased none the less. Those who watch the markets know

how wheat rises in sympathy with corn when the corn crop has suffered from drought; not because the cost of raising a bushel of wheat has increased, but because the demand for wheat will be increased if the corn crop should fail.

But here the parallel ceases. Putting aside pork as an article of diet would permanently depress the price of pork, but would have no permanent effect on the price of mutton or beef, for the rise in price would encourage sheep and cattle raising until finally the equilibrium was restored. And so, should the raising of corn be prohibited, the price of wheat would not be permanently raised, for the advance in price caused by the increased demand thrown upon wheat and other articles of food would be balanced the next year by increasing the area planted with wheat and rye and other food staples.

The absurdity and injustice of an enactment prohibiting the growth of corn would be so clear that it would not be tolerated. Yet we blindly acquiesce in a law that casts silver aside as money and works many fold greater injustice, for the purchasing power of our measure of value has thereby been permanently raised, for we cannot increase the product of the gold fields sufficiently to fill the void, or transfer the demand for gold to anything else. It was the possibility of transferring the demand from gold to silver or silver to gold, before silver was demonetized, that gave us a measure of approximate fairness and of greater stability than a measure based on any one commodity, and maintained the parity of the precious metals.

So much for one proposition advanced by the gold-monometallists in their wild endeavor to convince the people of the stability of the purchasing power of gold. Their second proposition from which they try to prove that gold is a stable measure of value is based on an exactly opposite theory. In the first case they deny that the quantity of gold in use as money affects the purchasing power of the dollar, but they base their second proposition on the theory that prices fall and rise with an increased or decreased supply of money. From this the impartial student would draw the conclusion that the demonetization of

silver having contracted the money of the world, a fall in prices necessarily followed.

The Volume of Credit Money Fixed by the Volume of Basic Money.

But the gold-monometallists deny that there has been any contraction, and to make out their case confound credit and *promises to pay money* with *money*. Credit money, like the tail of a kite, must fall and rise with the base on which it rests.

Many who have written of the marked fall of prices that has been almost continuous during the last twenty-three years, or since the mints of the United States and Germany were first closed to the free coinage of silver, and the coinage of silver by the French mints for private account restricted, and have naturally and rightly attributed the fall of prices to the demonetization of silver and the resulting appreciation of gold, have hastily assumed that prices are dependent upon the volume of money of ultimate redemption alone, and are in no way affected by the volume of representative money or bank credits. It is evident that if sellers in general are willing to exchange their products for paper money or bank credits, prices will be affected by the volume of such paper or credit, as we all know they are by an easy or tight money market which indicates a sufficiency or scarcity of bank funds. Prices are fixed by the volume of bank credit and paper money as well as by the volume of metallic money or money of ultimate redemption. It has been remarked by many that to cut the volume of basic money in half, as has been done by discarding silver, is to cut prices in half. But this does not prove, as has been so often assumed, that the volume of bank credit and paper money does not affect prices. It simply proves that the volume of bank credits and paper money is dependent ultimately on the volume of basic money upon which the credit fabric rests, and that a contraction of this basis must lead to a contraction of the superstructure. As Dr. W. H. Smith so tersely put it in an excellent little book, "The Effects of the Gold Standard," "the volume of basic money fixes the

volume of representative money (paper money issued by the government). In turn the volume of both representative money and basic money controls the volume of credits that act as money, and the quantity of all these with the exchanges to be made and payments to be met, fix prices. Thus indirectly the prices of commodities in a country are fixed and controlled by the volume of basic money." This is the quantitative theory of money correctly stated.

The man who has $1,000 in gold cannot increase his purchasing power, *ad infinitum*, by the issue of paper based on and redeemable in this gold. His ability to issue paper to an amount exceeding this sum depends upon his ability to keep his promises in circulation and prevent their presentation for redemption at one and the same time. If he is thus making full use of his credit, and suddenly his stock of gold should be reduced one-half, his safety and solvency depend upon his ability to reduce the amount of his paper issued. Otherwise the paper will return faster than he can possibly redeem it with his reduced stock of gold.

Claims of the Gold Mono-Metallists.

The assertion that 95 per cent. of the business of the civilized world is done with credit, that in the purchase and sale of our vast amount of produce, actual money plays but little part, and that not more than 5 per cent. of the exchanges of property are made with actual money, is one which the gold mono-metallists constantly repeat, as refuting the position of bimetallists that the fall in prices is due to the contraction of the money of the world, caused by discarding silver as a money metal.

Assuming that bank credit is the basis of 95 per cent. of our business, that bank drafts and checks are accepted in payment for 95 per cent. of the total volume of goods sold, and that of the remaining 5 per cent. sold for what passes as money, gold and silver coin forms but a small portion of the money tendered in payment, they declare that the demonetization of silver, of a metal with which but a fraction of the total exchanges made are transacted, even if silver had been entirely discarded as money,

would have led to no measurable contraction, and could not have led to any appreciable fall in prices.

Facts do not warrant the assumption that 95 per cent. of all payments are made in bank credits, but, admitting this unwarranted assumption, the conclusion of the gold monometallists is not logical. The statutes under which the legal tender and treasury notes are issued by the government have been so construed that this paper is redeemable in gold alone. Thus, the paper money issued by the government is based on gold, and just as the government paper is redeemable in gold, the banks are required to redeem all the credits they have granted their customers, the credits which the gold monometallists tell us are used in settlement of 95 per cent. of the goods bought and sold, in legal tender money of the United States, greenbacks or treasury notes, ultimately redeemable in gold by the government, or in gold coin or standard silver dollars, which latter they have systematically discredited, and have urged the legislative branches of the government to declare unfit for redemption purposes. All the credit money issued by the banks—national, or state, or other—they have undertaken to pay in lawful money of the United States, which, under the ruling first of Mr. Foster and now of Mr. Carlisle, is based on gold alone. Hence all bank credits are practically redeemable in gold.

Bank Credits Proportionate to Bank Reserves.

The banks have found it to be practicable in ordinary times to issue credits to their customers to four or five times the amount of cash in their vaults, but to go further than this they have not thought it safe, and they have felt obliged to reduce their credits, all redeemable in money, when the cash in their vaults is depleted. A reduction of the money in their vaults means a curtailment of their advances to customers, but as they have, say, four dollars of credits issued for every dollar in their vaults, the withdrawal of one dollar from their vaults makes necessary the contraction of four dollar of their credits, in order to maintain the same proportion between their issues of credit and their reserve. On this point, but with another connection,

the New York *Post*, one of the most pronounced of the gold organs, said some time since, "Every dollar of cash in a bank forms the basis of four or five dollars' worth of discounts, upon which the bank draws interest in the same way as from money loaned. Take the quarterly statement of any bank, or of all the banks together, and you will see that the loans and discounts are four or five times as large as the amount of cash on hand. This is true of State banks and private banks exactly as it is of national banks. The converse of the proposition is true, also, viz., that for every dollar of cash subtracted from their reserves and handed over to the government, they must curtail four dollars' worth of discounts. Not only must they incommode their customers in that ratio, but they must forfeit their own gains in like proportion until they can sell the bonds and get their money back, and with it their power of discounting commercial paper."

From this admission of the *Post*, it is clear that the issue of bank credits is limited by the amount of money which they hold for redemptions, and to decrease the amount of actual money must lead to a proportionate contraction of the volume of credit money.

It is true the volume of paper money issued by the government, and which the banks use for redeeming their credits, has not been materially reduced, though by the arbitrary ruling of Mr. Foster, a ruling followed by Mr. Carlisle under the directions of Mr. Cleveland, the basis on which it rests was cut in half by putting aside the silver in the Treasury and handing over to the holders of the Treasury notes the right to demand payment in gold. The result, of course, has been to make our currency top-heavy, gold has been withdrawn from the Treasury and exported, and the Treasury has been driven into the market for gold on four separate occasions in two years, and to an amount of nearly $300,000,000.

Under the Gold Standard Currency Contraction is a Necessity.

The narrow gold basis is no more capable of supporting the same volume of government paper as was formerly based on both gold and silver, than a bank would be capable, after the loss of half the cash in its vaults, of supporting the same volume of credit as before. Under gold monometallism, suspension of gold payments can only be avoided by a contraction of our currency, the retirement of greenbacks and treasury notes. And such contraction means lower prices, for contraction of the basis upon which credit rests must inevitably be followed by a contraction of bank credits or suspension of the banks. Further, such contraction would mean ruin to producers, and the bankruptcy of their customers would be followed by failure of the banks. Therefore, persistence in gold monometallism means ruin to bankers as well as producers.

Unless then we contract our currency by retiring greenbacks and treasury notes, which would lead to general bankruptcy and suspension of the banks, the continued suicidal adherence of our government to gold monometallism must finally place us on a paper basis, and then paper, being irredeemable, will become the measure of value, and prices will fluctuate with expansion or contraction of this paper money. If the control of this paper were reserved to the government the issues might be so controlled as to avoid violent fluctuations in prices. But that such would be the case is most unlikely, for if we are reduced to a paper basis it will be because the banks baffle the efforts of the American people to restore silver to its place as money, and if they are strong enough to do this they will be powerful enough to usurp the sovereign right of the nation to issue money, and they will undertake themselves the most important function of supplying the country with money.

The aim of the banks to control the national currency is undoubted, and should they secure this sovereign power they would welcome suspension of specie payments, for it would make their own promises to pay the measure of value, and they could

then fix prices at such high or low level as suited their purposes. All business enterprise would thus be placed at the mercy of a few speculative individuals who had monopolized the money of the country.

CHAPTER V.

The Fall of Prices.

The Movement of Prices.—Index numbers.—Sauerbeck's tables of English Prices.—Connection between Currency Contraction and Falling Prices.—Falling Prices lead to poverty, misery, distress.—The Course of Prices in the United States.—The Senate Tables.—The American's tables.—Refute the arguments of the gold monometallists as to the cause of Falling Prices.—Competition with Silver-using Countries.—Stability of prices in Silver-using Countries.—Confers Great Advantages on our Silver-using competitors.

MUCH has been written of the fall in prices since 1873. The tables of Augustus Sauerbeck and the London *Economist* have been referred to again and again, and so far as index numbers can accurately denote a fall in prices, they leave little to be desired, so far as English prices are concerned. True, a general index number may be, to a degree, misleading, for it is impossible to accurately classify commodities as to importance, and when, as in the tables of Mr. Sauerbeck, which comprise forty-five staple commodities, the general index number is arrived at by adding together the index numbers of the various forty-five commodities, which, in the case of Mr. Sauerbeck's tables, represent the percentage of fall or rise in price of each commodity, as compared to the average price ruling during the eleven years 1867–1877, and dividing the sum by 45, it is obvious that a rise in the price of lead, or tin, or hides, or butter, or some comparatively less important article may offset an equal fall in the price of American wheat or cotton in Liverpool, and though a fall in the price of wheat or cotton represents a greater depreciation in values because of the greater quantity affected than an equal fall in the price of lead or tin, and though the appreciation of values caused by a rise in the price of lead, or tin is necessarily less than the depreciation of values caused by an equal fall in the price of wheat or cotton, the index number may remain unchanged, indicating no fall in prices, although there may have been an actual shrinkage of values. For this reason general index numbers cannot be relied upon explicitly. But they are none the less an invaluable guide.

Sauerbeck's Index Numbers.

(To which are added the annual average price of silver in London.)

Years.	Index-number of 45 principal Commodities.	Index-number of Silver. 100=60.84d.	Annual average price of Silver in London.
			pence.
1867 to 1877 . .	100	100	—
1874 . . .	102	95.8	$58\frac{5}{16}$
1875 . . .	96	93.3	$56\frac{3}{4}$
1876 . . .	95	86.7	$52\frac{3}{4}$
1877 . . .	94	90.2	$54\frac{7}{8}$
1878 . . .	87	86.4	$52\frac{9}{16}$
1879 . . .	83	84 2	$51\frac{1}{4}$
1880 . . .	88	85.9	$52\frac{1}{4}$
1881 . . .	85	85.0	$51\frac{11}{16}$
1882 . . .	84	84.9	$51\frac{5}{8}$
1883 . . .	82	83.1	$50\frac{9}{16}$
1884 . . .	76	83.3	$50\frac{11}{16}$
1885 . . .	72	79.9	$48\frac{5}{8}$
1886 . . .	69	74.3	$45\frac{3}{8}$
1887 . . .	68	73.0	$44\frac{5}{8}$
1888 . . .	70	70.4	$42\frac{7}{8}$
1889 . . .	72	70.2	$42\frac{11}{16}$
1890 . . .	72	78.4	$47\frac{11}{16}$
1891 . . .	72	74.1	$45\frac{1}{16}$
1892 . . .	68	65.4	$39\frac{13}{16}$
1893 . . .	68	58.6	$35\frac{5}{8}$
1894 . . .	63	47.6	$28\frac{15}{16}$
1895 . . .	62	49.1	$29\frac{7}{8}$
January, 1895 . . .	60.0	45.1	$27\frac{7}{16}$
February, 1895 . . .	60.0	45.3	$27\frac{9}{16}$
March, 1895 . . .	60.8	48.9	$29\frac{3}{4}$
April, 1895 . . .	61.7	49.7	$30\frac{1}{4}$
May, 1895 . . .	62.5	50.3	$30\frac{5}{8}$
June, 1895 . . .	62.4	50.0	$30\frac{7}{16}$
July, 1895 . . .	62.8	49.7	$30\frac{1}{4}$
August, 1895 . . .	63 3	50.1	$30\frac{1}{2}$
September, 1895 . . .	63.5	50.2	$30\frac{9}{16}$
October, 1895 . . .	63.3	51.0	31
November, 1895 . . .	62.3	50.4	$30\frac{11}{16}$
December, 1895 . . .	61.2	50.2	$30\frac{9}{16}$
January, 1896 . . .	61.4	50.5	$30\frac{3}{4}$
February, 1896 . . .	61.4	51.3	$31\frac{3}{16}$
March, 1896 . . .	60.7	51.4	$31\frac{1}{4}$
April, 1896 . . .	60.3	51.1	$31\frac{1}{16}$

The comprehensive report on the movement of prices in the United States, prepared under the direction of Professor R. P. Faulkner, submitted to the second session of the Fifty-second Congress, known as Senate Report No. 1,394, and covering the movement of prices from 1840 down to 1891, filled a long-felt want, but for the years from 1891 down to date there is no official table of index numbers showing the course of prices in the U. S. To fill this want we have compiled a table of index numbers covering the movement of prices, at quarterly periods, of 100 staple commodities based on quotations taken for the most part from *Bradstreet's*, a financial journal that enjoys a well-earned reputation for reliability, painstaking investigation and impartiality in the presentation of facts.

Reference to this table, which will be found on page 44 will show a marked fall in prices between January 1st and April 1st, 1896, since which date prices have gone still lower. We have already referred to the effect of currency contraction on prices, and as between January 1st and April 1st our currency was contracted as the result of the February bond issue by $50,000,000, this fall in prices is readily explicable.

Currency Contraction and Falling Prices.

On January 1, 1896, the amount of money of all kinds in circulation in the United States was estimated by the Treasury Department at $1,579,206,724, and on February 1, just before the bond issue of February, 1896, $1,589,720,607. During the month of February payments into the Treasury on account of the bonds sold for gold, and the piling up in the Treasury of the money received in payment, led to a marked contraction of the money in circulation. Payments into the Treasury on account of the bond issue, though on a smaller scale, continued during March, leading to a further contraction of greenbacks and Treasury notes in circulation—these notes in large part being presented for redemption in gold, the gold thus paid out being paid back again into the Treasury by purchasers of bonds. The resulting contraction of our currency during March by this indirect payment of greenbacks and Treasury notes for bonds,

though considerable, was in large measure offset by an increase of bank circulation, so that the actual contraction during the month was but little over $100,000. Thus we find the amount of money in circulation, as given by the Treasury statements, to have been $1,528,742,057 on March 1, and $1,528,629,463 on April 1, a contraction in circulation for April of over $61,000,000 as compared to February 1, and of $50,577,261 as compared to January 1, 1896, or a contraction during the first three months of 1896 of approximately 3¼ per cent. But as the estimates of money in circulation given out by the Treasury Department were and are manifestly too large, the proportionate contraction resulting from a decrease in circulation of over $50,000,000 was considerably greater than appears.

As our currency was thus contracted by withdrawing money from circulation and piling it up in the Treasury, a smaller and smaller amount of money was left to do the work of the larger amount in circulation three months before. The result was of necessity to stretch our monetary yardstick. And as money grew more valuable prices fell. As shown by the table given on page 44, prices in general were nearly five per cent. lower on April 1 than three months before.

Benumbing Effect of Falling Prices on Industries.

And that such a fall of prices should have had a benumbing effect on industry is not surprising. The average merchant is fortunate if he can turn over his stock of goods once in three months, and consequently a fall in the general level of prices of five per cent. within three months means to merchants in general a loss from depreciation equal to five per cent. of the value of the stock they are obliged to carry. Naturally, in the face of such a depreciation, merchants restrict their purchases and endeavor to carry the smallest possible stock. Thus the demand for manufactured goods is curtailed, leading to lower prices for such goods, and shorter hours and lower wages, not alone for those employed in mills and factories, but for all wage-earners, for as every wage-earner is thrown out of work he is irresistibly forced, sooner or later, to seek the place of some other wage-earner and

endeavor to supplant him by offering to work cheaper. Moreover, as the wage-earner is thrown out of employment, or obliged to accept smaller pay, he is forced in like degree, as his income is cut down, to restrict his purchases and economize in every way. And the result is as prices fall there is less demand for the surplus products of others, or for others' services. Thus, as the output of mill and factory is restricted, the demand for transportation services is curtailed, and the railroads are enabled to dispense with the service of many of their employees, and cut the wages of those remaining.

Falling prices admittedly lead to poverty, misery, distress. And when money appreciates prices must fall. Consequently the bond issue of February, 1896, contracting our currency and leading to an increased value of money and lower prices, did not result in a revival of prosperity. On the contrary, as money became dearer and prices fell, times became harder, failures more numerous, and the lack of employment and distress more general.

So long as prices continue to fall there can be no revival of prosperity, and every farmer, manufacturer or merchant, whether gold-contractionist or bimetallist, is looking longingly for higher prices. For many, a further fall in prices means irretrievable ruin, and but few can profit in the face of falling prices. But much as higher prices are desired, is there any promise of higher prices, or even any sign that prices will not go lower?

The Course of Prices in the United States.

But before answering this question let us take a retrospect of the course of prices in the past and see what lessons can be drawn from experience. In 1849 prices were lower than at any previous time during the the nineteenth century. Following the Napoleonic wars and commencing with the resumption of specie payments in England in 1819, which resulted in an increased demand for gold, and with the decreased output of the silver mines of South America during the wars to throw off the yoke of Spanish oppression and the consequent decreased supply of silver, money appreciated, and the general trend of prices was downward until 1849. In

that year gold was discovered in California, a few years later in Australia, and with the increased supply of gold prices rose, and the general trend of prices was upwards to 1872, when prices in general were nearly thirty per cent. higher than in 1849.

The next year the mints of the United States and Germany were closed to silver, while the mintage of silver at the French mints was restricted, and as the demand for silver was thus curtailed, silver commenced to fall, while gold, with the increased demand thrown upon it by discarding silver, commenced to appreciate and prices to fall. And this fall in prices has been almost continuous ever since. During a few years following the passage of the Bland Act and coinage of silver under that Act the fall in prices was checked, and again in the years 1887–1889 an expansion of credit led to a slight rise in prices. But this expansion of credit led to the collapse of 1890 and a further fall of prices.

The Senate Tables.

The fall in prices between 1872 and 1891 is shown by the following table of index numbers based on the Senate Report on prices made to the second session of the Fifty-second Congress, and prepared by Professor R. P. Faulkner. The index numbers indicate that $100 in 1891 would purchase as great a quantity of commodities in general as $132.32 in 1873 or $129.50 in 1874, and so on. The parallel column showing fluctuations in silver shows that silver was worth 24.36 per cent. more in 1873 than in 1891. The marked rise of silver in 1890 followed the passage of the Sherman Act. These tables are of course based on gold prices :

	General Index Number.	Silver.
1873	132.32	124.36
1874	129.50	122.44
1875	122.99	119.38
1876	113.67	110.75
1877	113.23	115.07
1878	108.35	110.38
1879	104.77	107.59

	General Index Number.	Silver.
1880	115.94	109.70
1881	114.64	109.03
1882	117.68	108.84
1883	114.97	106.34
1884	107.81	106.63
1885	100.87	101.99
1886	99.67	95.29
1887	100.43	93.72
1888	102.17	89.97
1889	102.17	89.59
1890	100.11	100.25
1891	100.	100.

The fluctuations in prices since January 1st, 1891, are of much interest. A table of index numbers denoting this fall in prices will be found on the next page. The figures representing the index numbers may be considered to represent the number of dollars that it would require to purchase at various dates the same quantity of goods as $100, on January 1st, 1891. Thus we find that, on April 1st, 1896, $81.29 would purchase as great a quantity of commodities in general as $85.29 three months before, or $100 on January 1st, 1891. (See page 44).

Short Lessons from the Fall in Prices.

A study of the index numbers on the next page will give much food for thought. Prices in general have fallen so that $81.29, April 1st, 1896, was equal in purchasing power of commodities in general to $132.32 in 1873. It will also be noted that since 1891 the fall in breadstuffs has been very rapid. Moreover, this fall is not due to overproduction, for the increase of production has not kept pace with the increase of population, and it cannot be accounted for by the cheapening of production, because there has been little improvement in agricultural methods during the past five years, and the introduction of labor-saving machinery and economies has been much more marked in the factory than on the farm, yet farm products have fallen in

Summary of Index Numbers.

	Silver.	Breadstuffs, 6 Articles.	Live Stock, 4.	Provisions, 24 Articles.	Hides and Leather, 4 Articles.	Raw and Manuf'd. Textiles, 11 Arts.	Metals, 12 Articles.	Coal and Coke, 4 Articles.	Mineral and Vegetable Oils, 7 Arts.	Naval Stores, 3 Articles.	Building Materials, 7 Articles.	Chemicals, 11 Articles.	Miscellaneous 7 Articles.	General Index Number, 100 Articles.
January 1, 1891	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.	100.
April 1	94.25	118.31	116.98	105.34	100.52	98.57	92.84	98.05	99.34	110 60	97.37	98.70	100.38	101.96
July 1	98.21	103.90	110.38	100.40	98.26	95.60	95.22	99.89	94.76	111.61	95.24	90.69	100.56	98.28
October 1	93.42	97.94	112.49	98.09	96.62	96.25	90.10	102.10	87.18	104.41	87.88	89.35	89.03	94.71
January 1, 1892	91.02	97.17	104.35	95.08	94.13	96.15	89.01	98.19	83.82	94.19	90.86	88.31	93.93	93.12
April 1	83.83	89.45	110.13	97.96	91.60	96.20	84.02	99.77	83.17	104.42	92.81	85.64	91.31	92.87
July 1	84.51	92.58	113.53	97.56	95.28	97.50	81.99	100.02	81.42	88.57	89.53	87.03	99.53	92.85
October 1	79.76	82.77	104.88	104.24	94.32	95.89	81.93	103.46	84.38	84.17	90.02	88.04	95.82	93.60
January 1, 1893	79.52	80.59	119.68	113.45	93.47	105.41	80.24	103 94	92.10	81.24	90.57	90.05	104.70	98.42
April 1	80.	79.99	125.28	115.84	95.28	102.92	81.26	97.72	98.23	81 99	87.91	92.74	109.29	99 75
July 1	69.94	73.62	110.01	109.32	92.76	90.62	77.09	94.43	90.81	79.63	85.34	89.69	100.69	93.39
October 1	71.62	74.82	108.34	107.34	90.44	84.41	74.16	92.41	90.19	77.11	83.71	89.52	100.42	91.43
January 1, 1894	65.87	68.46	101.33	97.45	89.28	86.89	67.93	89.77	90.89	75.87	86.33	88.18	97.03	87.59
April 1	58.21	70.38	97.78	92.97	89.90	79.49	66.11	85.98	92.09	77.34	80.05	89.25	90.76	84.70
July 1	60.59	74.32	92.42	93.70	83.57	78.31	66.13	83.11	92.86	89.39	78.71	85.96	91.45	84.40
October 1	60.84	69.08	101.57	97.68	86.38	74.32	64.25	79.82	90.46	81.64	75.12	79.89	82.89	82.81
January 1, 1895	57.51	70.58	84.88	91.79	90.91	69.18	59.99	78.33	91.23	76.32	81.84	77.76	79.62	79.74
April 1	64.67	72.45	104.41	97.31	96.48	69.68	60.26	79.34	100.26	85.65	79.05	76.77	74.51	82.59
July 1	63.95	75.83	100.54	93.59	131.99	74.53	69.10	81.53	108.18	87.85	80.68	76.38	81.87	86.05
October 1	64.31	62.53	79.54	86.56	132.36	81.48	75.82	89.36	102.85	88.10	82.40	77.95	86.68	84 88
January 1, 1896	63.95	59.59	73.83	85.93	107.07	79.96	67.42	96.97	108.22	81.19	87.40	96.27	91.14	85.29
April 1	65.39	63.73	68.47	83.60	97.74	73.08	67.25	90.85	99.01	82.66	88.22	82.86	90.15	81.29

price further than the products of the factory. The coincident fall between breadstuffs and silver is evidence that with the depreciation of silver our silver competitors can lay down grain in Europe at proportionately lower rates.

As bearing on the assertion of gold-monometallists that the wage-earner is benefited by falling prices because prices fall faster than wages, it is noteworthy that provisions, 24 articles of food, 16 of which are the products of our own farms, fell but 16.40 per cent. between January 1st, 1891, and April 1st, 1896, while breadstuffs fell by nearly 35 per cent. and prices in general by 19 per cent., which shows that the prices at which the workman must buy have not fallen as fast as the prices at which the employer must sell. With prices received for breadstuffs 36.27 per cent. and prices received for live stock 31.53 per cent. lower than on January 1st, 1891, it is obvious that the farmer cannot pay as high wages, and when his gross receipts have thus fallen it is evident he must curtail his purchases of provisions, which have fallen in general not half so far as the prices at which he sells his produce.

The wide variance between the fall in prices of the products of the farm and factory, and the fall in the prices of articles sold by middlemen, a variance which would be much greater if we could get at retail prices, shows that the assertion of gold-monometallists that falling prices do not injure anyone, because although the producer is thereby forced to sell cheap he is recompensed by being able to buy and fill his wants at correspondingly lower prices, is an unwarranted assumption.

Has the Fall in Prices Reached Bottom?

A continuous fall in prices is ruinous to producers, checks enterprise and is the mother of poverty, and prices must continue to fall so long as we persist in contracting the money of the world to the gold basis, with the result of enhancing the value of that metal, our measure of value. There is no evidence that the fall in prices has reached bottom. On the contrary if we persist in adherence to the gold standard and limit our money to

the basis of gold, prices must fall as population increases, thus adding to the demand for gold. The fall in prices cannot be stopped until the divergence in the price of gold and silver is checked. The further silver falls the further must agricultural and other products in competition with silver-using countries fall, for so long as silver retains its purchasing power in silver-using countries, producers in such countries will be enabled to sell at a smaller price in gold the further silver depreciates as measured by gold, or rather gold appreciates as measured by silver. Nor will the fall in prices be restricted to those commodities that come in direct competition with the products of silver-using countries, which, however, under the gold standard bid fair to include everything we produce, but all prices will fall, for when the agriculturalist is impoverished as he is by being forced to compete in the markets of Europe with the agriculturalist of the silver-using countries, he is unable to purchase manufactured articles liberally as was his wont in the decade following the war, and thus the demand for the products of the mill must continue to be restricted, leading to lower prices all round.

Stability of Prices in Silver-Using Countries.

Prices in silver-using countries of commodities of domestic production have not risen. They have fluctuated within narrow limits, remaining practically stable. Of course the silver price of commodities imported from gold-using countries has risen, and this acts as a protective tariff, but prices of domestic products have not risen with the fall in the gold price of silver, but actually fallen. This is made clear by the following tables.

Prices in India, since the closing of the Indian mints, June 26th, 1893, have been measured in a rupee that has been given an artificial value by limiting the supply, and has not fluctuated with the price of silver bullion, so we may, for the time being, pass Indian prices by. Witness, therefore, the course of prices in China, where affected by no such cause, and where they are measured in silver bullion. The course of prices is indicated by

the following index numbers, comprising twenty Chinese staple commodities, and compiled by Mr. W. S. Wetmore, of Shanghai, from the trade returns of the Imperial Chinese Customs, these latter under the direction of Sir Robert Hart. Also for ready reference we append a table, based on Sauerbeck's tables, showing the course of British (gold) prices in contrast to Chinese (silver) prices. We have compared the prices as indicated by Sauerbeck's tables to average prices in 1873, taking 1873 prices as the unit, and not the average price for eleven years—1867–1877—as in the original tables:

Course of Shanghai prices as indicated by general index numbers.

Year.	Course of silver prices. Chinese.	Course of gold prices. British.
1873	100.	100.
1874	90.7	91.9
1875	89.3	86.5
1876	96.5	85.6
1877	101.5	84.7
1878	105.1	78.4
1879	101.1	74.8
1880	96.2	79.3
1881	97.	76.6
1882	99.3	75.7
1883	95.8	73.9
1884	94.1	68.5
1885	92.7	64.9
1886	92.9	62.2
1887	88.7	61.3
1888	88.1	63.1
1889	90.1	64.9
1890	90.4	64.9
1891	87.4	64.9
1892	88.1	61.3

This brings us down to the year before the closing of the Indian mints, and shows that the purchasing power of silver was greater in 1892 than in 1873, and slightly greater than in 1874 and 1875, as, it is evident, 88.1 taels in 1892 would buy as much

on the average of Chinese commodities generally as 100 taels in 1873, as 90.7 taels in 1874, or 89.3 taels in 1875.

And what happened after the closing of the Indian mints and the violent fall of silver as measured by gold? Did silver prices rise equally? Not at all. The purchasing power of silver remained practically undiminished.

The following table is also based on tables prepared by Mr. W. S. Wetmore, average prices ruling during the five months immediately preceding the closing of the Indian mints—January 21st to June 21st, 1893—being taken as a basis for comparison. The second column shows the approximate value of silver prices as compared to prices ruling in 1873, and the third column the course of British gold prices; the second and third columns being continuations of the first and second columns in the table already given.

Course of Shanghai prices as indicated by index numbers.

	Course of silver prices. Chinese.		Course of gold prices. British.
Jan. 21 to June 21, 1893,	100.	88.	1893,—61.3
July 5 to Aug. 30, 1893,	98.5	86.7	
Mar. 14 to Aug. 15, 1894,	100.8	88.7	1894,—56.8
Sept. 16 to Dec. 31, 1894,	103.5	91.1	

Great Benefit Conferred on our Silver Competitors.

About 90 taels buying as much on the average of Chinese commodities to-day, when silver is 69 cents an ounce, as 100 taels bought in 1873, when silver was $1.29 cents an ounce, it is evident that Chinese products can be sold in gold-using countries for less than one-half the price in gold that was possible when silver was worth $1.29 an ounce. Or, accurately, 90 ounces of silver buying as much to-day in China as 100 ounces in 1873, and these 90 ounces costing in gold 69 cents an ounce, instead of $1.29 an ounce, $62.10 in gold will buy as much to-day as $129 in gold in 1873, or 106 per cent. more—6 per cent. more than twice as much. Consequently, the Chinese can sell their produce in our markets for less than one-half the price they could before silver was demonetized. And what is true of the Chinese is true of other silver-using peoples.

CHAPTER VI.

The Cause of Falling Prices.—Overproduction Not the Cause.

Overproduction an impossibility.—The accumulation of unsalable stocks of goods a sign of impoverishment, not of overproduction.—Man's wants are infinite.—His capacity to consume only limited by his ability to produce.—The theory of overproduction disproved by facts.—Since 1873 population has grown faster than production.—Montesquieu on the purchasing power of Money.

THE fall in prices has been so palpable of late years, and it has been so conclusively proven—by the researches and records of British prices compiled by Augustus Sauerbeck, and by the London *Economist;* by the record of Hamburg (German) prices started by Dr. Adolph Soetbeer, and by the indisputable and exhaustive record of the movement of prices in the United States, compiled under the direction of Prof. R. P. Faulkner, submitted to the second session of the Fifty-second Congress, and known as Senate Report No. 1394, Second Session, Fifty-second Congress—that the general trend of prices has been downward since 1873, the year the United States and Germany closed their mints to free silver coinage and coinage of silver at the French mints was restricted, that the gold monometallists have been obliged to admit a fall in prices, which they long asserted to be merely temporary. But while admitting the fall in prices they strenuously insist that it has had no connection with the demonetization of silver.

Nor can they longer take refuge behind the assertion that the depression that has been so chronic of late years is only temporary, and that there is no unusual distress. The distress is too apparent, too great and too lasting to be longer ignored or denied. The gold monometallists are forced to advance a reason for it. They are called upon to explain the enforced idleness and resulting poverty and unrest that exists in a country with unlimited natural resources, with hundreds of thousands of unemployed men and millions of dollars of idle capital, where there is no lack of a disposition on the part of the owners of unemployed capital to secure a return for its use, and where thousands of idle men are willing and anxious to work.

The Overproduction Fallacy.

One tells us *overproduction* is the cause, another *under-consumption.* But we must not forget that all producers are also consumers—that men produce only what they desire to consume. Man's desires are infinite. His capacity to consume is only bounded by his ability to produce. The more he can produce the more will he consume, and as soon as he is able to satisfy one want he will find another. No community ever existed that could not consume more than it did. In fact the limit of consumption has never been reached, and it never will be. There can be a partial overproduction of one article or one kind of goods, of course, but overproduction of everything at one time is an impossibility.

But what an absurdity it is on the face of it to cry overproduction when thousands are starving for want of food, when thousands of others are insufficiently clad, and when many have no home to shelter them. Too much food, too much clothing, too many houses, indeed! Are these the causes of our distress? The most hardened monometallist, who cries overproduction as he cries dishonest dollar, endeavoring to mislead the people by high-sounding phrases, will hardly dare to answer this question in the affirmative when placed in this its true meaning. Yet when he cries overproduction this is what he says.

Cause of the Accumulation of Unsalable Stocks of Goods.

The leaders of the gold-monometallic party know well enough the cause of the distress. But to continue the depression of prices, thus enhancing the value of the money paid them in settlement of debts by their despairing debtors, they must continue to mislead the people. Hence the cry Overproduction, a phrase without foundation, but which they support by asking, Do not the stores of iron, cotton and woolen goods, etc., which, although reduced in price, are unsalable, show overproduction? They show nothing of the kind. These stores of unsold goods are the result of a contracted supply of money resulting in a depression of prices that has made it impossible for would-be con-

sumers, who are also producers, to dispose of their own products at prices which will enable them to purchase the articles which they need. The contraction of the money of the world has made exchanges so difficult, has made the medium by which they must be accomplished, money, so costly, and made the struggle to obtain it so severe that the middleman, the owner of money, absorbs all the profit which the producer should receive from his product, thus leaving him without the means to purchase those things which he wants. Thus the producer's demands as a consumer are limited or stopped, and as his industry brings him no result, incentive to further production is destroyed. The reason that mills and factories are closed or running on part time, that stores of goods remain undisposed of, while at the same time those who should consume these goods are suffering for their want, is that the owners of money, by making it scarce, have caused a fall in prices which enables them to obtain such a large share of the surplus product of labor that the producer can be only a consumer to a small extent of his needs, and as he does not realize the expected advantages from his industry he has no incentive to further production. The middlemen, the creditors of the world, are getting the surplus product of the producers.

Overproduction Economically Impossible.

We have said that while there can be and often is overproduction in one line of goods, causing a temporary fall in prices, the general overproduction of all commodities at one and the same time is an impossibility. This is because all producers are consumers, and it is unreasonable to suppose that men will produce more than they care to consume. Besides, man's wants are infinite, and there is no limit to his ability to consume. As long as man has any desires that he is unable to satisfy there can be no such thing as general overproduction. And, as we said before, man's wants are infinite, and as soon as one desire is satisfied he will have another.

The claim of the monometallists that the fall in prices has been due to overproduction is then, in theory, ridiculous. The

facts as to production show that this position of the monometallists is untenable.

And Disproved by Facts.

There is no doubt that population has increased greatly in the last thirty years. It is estimated that the world's population is 50 per cent. greater than it was thirty years ago. In Europe alone the population has grown 30,000,000 in the last ten years, and we know that the population of America has doubled in the last thirty years. It is self-evident that this great increase of population should have occasioned a greatly increased production. If population has increased at the rate of 1⅔ per cent. per annum production should have increased at least as rapidly. If production increases faster than population, prices should fall, according to the theory of overproduction; if population increases faster than production, prices should rise. But the theory of overproduction does not stand the test. From 1854 to 1873 the production of the world grew at the rate of 3 per cent., per annum, and since 1873 production has increased at the rate of only 1 per cent. per annum. (M. Meline, now the head of the French ministry). During the first period, while production was increasing faster than population, prices rose continuously; while during the second, while population increased faster than production, prices fell steadily. In other words, during the period while production was most active, prices rose; but after 1873, when production began to diminish relatively to population, prices fell.

Should we descend to detail we have it on the authority of Rt. Hon. Henry Chaplin, M.P., speaking in the House of Commons, that the harvest of wheat for the entire world was less in 1892 than in 1891. According to the theory of overproduction the price of wheat should have risen, but in fact it fell 18 per cent. In 1893 the wheat crop equaled that of 1891. Considering the increase of population the price of wheat should have at least been maintained at the average price of 1891, but wheat fell 18 per cent. further. The production of wheat was no

greater in 1893 than in 1891, but the price fell during the two years 36 per cent.

These facts disprove the contention of the gold-monometallist that the fall in prices has been due to overproduction. They show that the fall has been due to some other cause. This cause is the appreciation of gold, the lengthening of the monetary yardstick.

Montesquieu said, more than two centuries since, that "when the quantity of the precious metals is doubled, one can obtain for the quantity only half the commodities and half the services which one could obtain before." When we cut the money of the world in half by destroying silver as a money metal, we doubled the value of the ounce of gold, and prices necessarily fell 50 per cent.

CHAPTER VII.

The Cause of Falling Prices.—Cheapening of Production not the Cause.

Falling prices when caused by cheapening of production not injurious.—Lead to no depreciation in the value of fixed capital or loss to producers.—The California gold discoveries ushered in a period of rising prices.—The demonetization of silver a period of falling prices.—The depreciation of farm property and manufacturing plants shows that profits of industry have been impaired.—Proves that cheapening of production has not been the cause of falling prices, for a fall in prices resulting from a lessening of the cost of production would not have reduced the profits of industry.—Cheapening of production does not of necessity lead to lower prices.—This shown by the rise in prices between 1849-1872.—Explanation of this rise in the face of cheapening of production. —Rise in prices from 1849 to 1872 and the fall in prices since can only be accounted for by a cheapening of money during the first and an appreciation of money during the second period.

Obviously, anything that tends to increase the productive capacity of a manufacturing establishment will not lead to a depreciation in the value of such plant. If, through the introduction of improved appliances and labor-saving machinery, any manufacturer is enabled to reduce the cost of production and at the same time increase the output of his mill or factory, it cannot be questioned that such manufacturer, through the introduction of economies in production, has added to the value of his property. It is also obvious that any fall in prices resulting from the introduction of improved methods of production, thus economizing the cost of production, would not reduce the profits of production, and consequently make the capital the manufacturer has invested in his mill less remunerative, or his property less valuable.

And so, if through the invention of new farm machinery and the introduction of improved methods of agriculture, the farmer was enabled to increase the yield of his acres without increasing the cost of cultivation, and was thus enabled to accept a smaller price for his products without reducing his profit, he would not be injured thereby, and his farm would not depreciate in value with the fall in prices of farm products, for though he received less for the bushel of wheat, or corn, or the pound of cotton, the money value of the yield per acre would be, owing to the in-

creased productiveness, as great as ever, his profit on production would be as great as or greater than before, and his farm would yield him just as great a money income, and hence be just as valuable as when prices were higher.

When the gold contractionists tire of speaking of over-production they attribute the fall of prices of late years, or ever since 1873, to the introduction of labor-saving machinery and to a general cheapening of production. But they do not stop to give any reason for the rise in prices that took place during the period following the discovery of gold in California in 1849 and a few years after in Australia—a period marked by a general lessening of the cost of production through the introduction of improved machinery. From 1849 down to 1872 the general trend of prices was upwards, and in the latter year prices of commodities in general were thirty per cent. higher than in 1849. Yet during all this period the advancement in methods of production, the invention and introduction of improved machinery and the lessening of the labor cost of production was most marked. Still this period was one of a general rise in prices, not only of commodities, but of the value of fixed capital as invested in farms and industrial plants.

Why the general cheapening of the labor cost of production during this period should not have led to a general fall in prices the gold contractionists, we repeat, do not stop to explain, nor do they explain why suddenly in 1873 (with the demonetization of silver and the contraction of the money of the world which they ridicule as a cause for falling prices), this cheapening of the labor cost of production which has been characteristic of the nineteenth century, but which had not checked the rise in prices during the period 1849–72 while money was increasing in quantity relatively to population, should have become the cause of a great and marked fall of prices which has been almost continuous ever since. Why, if indeed cheapening of production has been the cause of falling prices since 1873, this cause did not affect prices in the same way prior to 1873 as since, is a question the consideration of which the gold contractionists wisely shun.

Depreciation of Manufacturing Plants and Farm Property.

But that cheapening of production has not been the cause of falling prices since 1873 is conclusively proven by the fact that farm property has depreciated equally with the fall in prices and that factory property has ceased to earn interest on the money invested as of old, and that mills and factories have everywhere throughout the country, save where bound around by monopoly or working under protecting patents, depreciated and become unsalable. As we have said, if the productive capacity of mill and factory had been increased and the cost of production reduced proportionately with the fall in prices, the earning capacity of such mills and factories would not have been reduced, they would be yielding as great a profit to manufacturers as ever and consequently would be just as valuable. But such is not the case. With the fall in prices, mills and factories, as well as farms, have ceased to be remunerative as of old, and, just as the profits of production have been cut into the property has depreciated.

The yield per acre of wheat or corn or oats or rye or cotton has not increased since 1873, the land has not become more productive through the introduction of mythical improved methods of agriculture of which we are told, nor has the labor-cost of production been reduced so as to compensate the farmer for the fall in the prices received for his products. Therefore the value of farm property has fallen, so that farm after farm mortgaged for one-half or less of its value before the disastrous fall of prices set in, and on which the owner has found it quite impossible to earn the interest because of the depreciation in the value of farm products, has been bought by the money-lender for the face of the mortgage, or sold for even less, and the farmer has found his equity in his old property gone, perhaps leaving a debt hanging over his head. So it is that we find from year to year a relative decrease in the number of farmers tilling their own farms and an ominous increase in the number of tenant farmers.

The Productiveness of Farm Lands has not been Increased.

Nothing has occurred during the past twenty-three years to increase the yield of farm lands. For proof of this we need not seek further than the reports of the Department of Agriculture. The following figures, taken from the reports of the Department of Agriculture, as compiled for the Statistical Abstract of the United States for 1895, are conclusive on this point. For 1872, the yield of corn per acre was 30.8 bushels, of a farm value of $12.24. In 1895, the yield of corn per acre was 26.2 bushels, and the value only $6.91. The yield of wheat per acre in 1872 was 12 bushels, and the value $14.87; for 1895 it was 13.7 bushels per acre, and the value of the yield per acre was $6.99. Thus it is that while there were 34,047,332 acres of wheat in cultivation in 1895, against 20,858,359 in 1872, the value of the yield of the 21 million acres in 1872 was $72,000,000 greater than the value of the yield of the 34 million acres in 1895—the value of the wheat crop being $310,180,375 for 1872, and $237,938,998 for 1895. If we turn to oats, the third largest in acreage of our cereal crops (for 1895 the acreage in corn was 82,075,830, in wheat 34,047,332, and in oats 27,878,406), we find the yield per acre 30.2 bushels in 1872 and 29.6 bushels in 1895; but the value of the yield per acre in the latter year was but $5.87, against $10.14 in 1872. There is the same story to tell of cotton, of our other cereal crops, and of farm products in general. Prices have been cut in half, while the yield per acre has not increased. Consequently the gross income of the farmer, unable to cultivate more acres to-day than twenty-five years ago, has been cut in half, and his margin of profit, except in favored localities, has been wiped out, reducing him to virtual, if not recorded, insolvency. To attribute the fall in prices since 1873 to cheapening of production in the face of the distressing impoverishment of the agricultural classes and the depreciation in the value of farm property, is absurd. And it is equally absurd to attribute the fall in manufactured products to a similar cause; for just as prices of manufactured goods have fallen, manufacturers' profits have been reduced and their property has

depreciated. If the fall in prices had been caused by cheapening of production our producing classes would not have been impoverished, and our farmers and manufacturers would be as prosperous to-day as ever, for a fall in prices resulting from a lessening of the cost of production would not have reduced at all the profits of industry.

The Cheapening-of-Production Fallacy.

We have referred to the rise in prices during the period 1849-1872—a period of wonderful industrial development, and of marked improvement and extension of productive and transportation facilities—as controverting the assumption that the fall in prices since 1873 has been due to a cheapening of production. As like causes have like effects, and as the period since 1873 has been marked by a general fall in prices which the gold contractionists attribute to a cheapening of production, it follows, if the gold contractionists are correct in their diagnosis, that the period of a quarter of a century prior to 1873 which was marked by the cheapening of the labor cost of production—the introduction of improved machinery and cheapening of transportation—in even greater degree than the period since 1873, must have also been a period of falling prices. But as prices rose during the first period and fell during the second, the facts stamp the theory of cheapening of production, advanced by the gold contractionists, as a fallacy.

On the theory of cheapening of production, prices should have fallen during the period 1849–1872 to an even greater degree than during the period 1873–1896, for the first period was marked by the introduction of labor-saving machinery in a greater degree than the second. As a matter of fact, prices rose. Sauerbeck's tables, based on forty-five staple commodities, show that English prices were in general 47 per cent. higher in 1872 than 1849, while prices in the United States, as indicated by the Senate tables, compiled by Professor R. P. Faulkner, and based on the comparative prices of two hundred and twenty-three commodities, rose 28.9 per cent.

The fact that prices rose during this period is conclusive

evidence that improved methods of production, the introduction of economies and the substitution of improved and labor-saving machinery, resulting in a reduction of the labor cost of production, do not of necessity lead to a fall in prices. Prices naturally adjust themselves to the money cost of production, for men will not permanently work at a loss, and if the price that can be obtained for a commodity is not sufficient to recompense those engaged in its production for their outlay of money, time and energy, production will be curtailed until, as a result of the reduced supply, the price rises to a point that will repay those engaged in it for their expenditure of money and labor in production, and if, on the other hand, the price of any commodity rises much above the cost of reproduction, those engaged in less profitable employments will be tempted to embark in the production of that commodity by the prospects of larger profits, and production will be thereby increased until, as a result of the increased supply, the price falls back to a point that will not tempt further increase of production.

Prices as Relative to the Cost of Production.

But the money cost of production does not always fall with the introduction of labor-saving machinery, resulting in a cheapening of the labor cost of production, and if the money cost of production does not fall, prices will not fall. Unless there is a change in the value of money, the cheapening in the cost of production of any commodity must lead to a fall in price, and the general introduction of improved methods of production and transportation to a general fall in prices proportionate to the saving of labor, time and energy in production and distribution. But such a tendency of prices to fall consequent upon a cheapening of the actual cost of production may be entirely offset by an increase of the quantity of money in circulation and a fall in the price of money as measured by commodities.

The value of money is dependent upon supply and demand. When based on gold, as at present, the supply of money is limited to the amount of gold that is coined and available for

coinage, for although paper money and bank credits are used extensively in exchanging commodities, such paper and credits are based on gold and redeemable in gold, and if the volume of gold is contracted, the paper money and credits resting on gold must likewise be contracted. If the quantity of gold in use as money is increased, the quantity of paper money and bank credits based upon it may be increased; if the quantity of gold is contracted, the money and credits resting on such gold must be likewise contracted, just as a bank is obliged to contract credits when the cash in its vaults is depleted.

Demand for Commodities Fixed by the Supply of Money.

Those having money have but one use for it—to exchange it for those commodities they desire, and the greater the quantity of money in circulation the more money there will be to be exchanged, and hence the greater the demand for commodities. And as the quantity of money in circulation makes the demand for commodities, the quantity of goods in the hands of those desirious of selling them—that is, of exchanging them for money—constitutes the demand for money. It follows that the greater the quantity of goods on the market the greater the demand for money; and the greater the quantity of money, the greater the demand for commodities. Thus an increase in the quantity of money, unless accompanied by a proportionate increase in the production of commodities, must lead to higher prices, while a decrease in the quantity of money must result in a falling off in the demand for commodities until a lower level of prices is reached.

A cheapening of the cost of production naturally leads to increased production, and an increase in the quantity of goods in the hands of those seeking to exchange them for money, with the result that the demand for money is increased, money rises proportionately in value, and prices fall correspondingly. It is thus that improved methods of production tend to cause a fall of prices. But if the quantity of money happens to be increased so as to more than offset the increased demand, prices will rise

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despite cheapening of the cost of production, while, on the contrary, if the value of money is contracted simultaneously with the introduction of labor-saving machinery, resulting in increased production and increased demand for money, prices will fall much further than they otherwise would.

Discovery of Gold in 1849 followed by Rising Prices.

We have seen that the period 1849–1872 was one of generally rising prices, although that period was marked by an unexampled rapidity in the perfection of labor-saving machinery, introduction of economies in manufacture, and by great extension of transportation facilities. Production went forward with leaps and bounds, the demand for money was greatly increased ; yet money did not rise in value, but fell, and prices did not fall, but rose. For an explanation of the undoubted fact that money during this period was becoming cheaper, as shown by rising prices, we have only to recall the discoveries of gold in California and Australia, and the fact that during the twenty-five years following the discovery of gold in California as much gold was produced as during the preceding three and a half centuries—$1,700,000,000 of gold being added to the world's stock of money. The stock of gold in use as money increasing from $2,000,000,000 in 1848 to $3,700,000,000 in 1873, while at the same time the silver money of the world increased by about $300,000,000, the supply of money increased faster than the demand for money, it naturally depreciated, and prices rose.

The fact that prices rose during the period commencing with the discovery of the gold fields in California in 1849 and ending with the demonetization of silver in 1873 is positive proof that cheapening of the real cost of production does not always lead to lower prices. When prices do not fall as a result of the introduction of labor-saving machinery, the wage-earner, whose wages are of necessity dependent upon the price received by the capitalist for the joint product of labor and capital, benefits by receiving higher wages. When prices fall as a result of improved methods of production, the wage-earner may be benefited

by being able to buy cheaper; but he will not be benefited to the same degree, for he buys at retail and his wages are fixed by wholesale prices, and retail prices do not fall as rapidly as wholesale prices.

Fall of Prices Since 1873.

Since 1873 prices have fallen almost continuously, British prices, as shown by Sauerbeck's tables, being, April 1st last, 45.7 per cent. lower than average prices for 1873, and prices in America—as indicated by the Senate table, down to 1891, and our own tables, based on quotations compiled by *Bradstreet's* at quarterly periods since,—38.6 per cent. lower on April 1st last than during the year 1873. The question is, What has been the cause of this fall in prices? During the twenty-three years since 1873 progress has undoubtedly been made in cheapening the actual cost of production, with a tendency to lower prices, but there can be no doubt that the fall in prices is due primarily and chiefly to the rise in the value of money. The greatest advance in improved methods of production has been made in manufacturing establishments, and if the cause of the fall in prices was the cheapening of production, the products of such factories would naturally show the greatest decline in prices. But such is not the case. On the other hand, it is agricultural products that have fallen furthest.

For the fact that agricultural products have fallen much more rapidly than manufactured articles, there is only one explanation, and that is, our agricultural products were the first to come into direct competition with the products of silver-using countries. The appreciation of gold, of the money which silver-using peoples receive in payment for what they sell to gold-using peoples, and which they can exchange for double the amount of silver that they could twenty years ago, has greatly encouraged production and stimulated exports from silver- to gold-using countries. To increase the area devoted to raising wheat and cotton was the work of a season; gathering experience and knowledge and building the factories to make manu-

factured goods the work of a decade or more. The result is, that, while our farmers and planters have suffered from the competition of silver-using countries for years, our manufactures are only now beginning to feel Asiatic competition. This is the explanation of the fall in prices that has been more marked in agricultural than manufactured articles.

An Appreciating Dollar The Cause.

We have shown that the fall in prices since 1873 has not been due to overproduction, and we have shown it cannot be attributed to cheapening of production. To anticipate what we will set forth fully in the following chapters the cause must be sought elsewhere. We have hinted that it is to be found in the appreciation of gold, and when we consider that during the period since 1873 the money of the world has been steadily contracted by discarding silver thus throwing the burden of exchanges in the Western world on gold alone, this fall of prices is not surprising.

The stock of silver money being made secondary to gold and the product of the gold mines scarcely being sufficient to supply the demand for gold for consumption in the arts, the demand for money, increasing with the growth of population, outran the supply, money increased in value, and prices fell. While $1,700,000,000 of gold was added to the world's stock of money during the period 1849–1873, the addition to the stock of gold money since 1873 has amounted to less than $400,000,000, the stock of gold in use as money being estimated at $4,086,800,000 January 1, 1895, against $3,700,000,000 in 1873. The stock of full legal tender silver money being limited to the amount already coined and in use as money, the small increase of gold proved insufficient to meet the growing demands. Full explanation for the fall of prices since 1873 is to be found in an appreciating dollar.

It is asserted by the gold press that the closing of our mints to the free coinage of silver has not led to a contraction of the quantity of money, and they point to the coinage by the United

States of some $420,000,000 of silver dollars since 1873. But they do not tell us that by the arbitrary ruling of Mr. Foster, Secretary of the Treasury during the latter part of Mr. Harrison's administration, a ruling not only followed but amplified and extended by Mr. Carlisle, both the Treasury notes of 1890 issued under the Sherman Act and the silver certificates issued under the Bland Act and representing the greater part of this coined silver, have been made secondary to gold. Nor do they tell us that the purpose of those who passed the Bland and Sherman Acts to add to our stock of legal tender money and broaden our basis of specie on which to rest our paper money and credit fabric has been set aside by an arbitrary interpretation of the parity clause of the Sherman Act, thus not alone destroying this silver as money available for redemption purposes, but throwing the additional burden of supporting the Treasury notes and silver certificates on gold alone.

It is also asserted by the gold press that credit has taken the place of money, but they overlook the fact that the issues of credit money redeemable ultimately in gold are limited by the supply of gold available for redemption purposes. The volume of gold fixes the volume of paper money, and in turn the volume of credit money is limited by the volume of gold and by the paper money issued by the government and redeemable in gold.

The rise in prices after the discovery of gold in California down to 1873 and the marked and almost continuous fall of prices since the demonetization of silver in that year, show conclusively that we must look further than the introduction of labor-saving machinery and the cheapening of the labor cost of production as an explanation of the movement of prices, for the introduction of improved machinery and the economizing of the labor cost of production was even more marked throughout the first period, during which prices were rising, than in the second, during which prices have been falling.

For the rise in prices following the discoveries of gold in California and Australia there is only one possible explanation. And that is, while the real cost of producing articles was falling, money, consequent on the increased supply of gold, was falling

much faster, with the result that prices, measured in money, were rising. And so for the fall in prices since 1873 there is but one sufficient explanation, and that is, silver having been discarded, money has become scarcer and dearer, and proportionately as money has grown dearer prices have fallen.

CHAPTER VIII.

The True Cause of Falling Prices.

The Demonetization of Silver by Germany, Dec., 1871, and July, 1873.—Leads to the Restriction of Silver Coinage at the French Mints, September 6th, 1873.—Closing of Our Mints to Silver.—The Mint Act of February 12th, 1873.—This Hostile Legislation Against Silver Causes Gold to Appreciate and Inaugurates the Fall of Prices.—The Extent and Continuity of the Fall in Prices.—Checked Momentarily by Legislation Favorable to Silver —Discrimination Against Silver by Our Government.—The Indian Mints Closed to Silver June 26th, 1893.

In 1857 Germany demonetized gold, and from that year down to the Franco-Prussian war she had remained on a silver basis. But in 1871, elated by her crushing victory over France, counting on the payment of the enormous war indemnity of five milliards of francs ($1,000,000,000) which she had exacted in gold, and guided by Prince Bismarck, who was at that time a firm believer in the doctrines of gold-monometallism and free trade taught by the British school of economists, the German Government took steps to remonetize gold, and by Imperial edict promulgated December 4th, 1871, decreed the establishment of the single gold standard. But she did not at that time discard her silver coin. It was not until July, 1873, that practical effect was given to the decree of December, 1871, that she finally demonetized silver by destroying the legal tender quality of silver coin, and offered her silver for sale on the markets of London with the purpose of exchanging it for gold. As a result, the English bullion brokers sent the German silver to the French mints, which were open to the free coinage of both gold and silver at the ratio of 15½ to 1, bought gold in Paris with this silver, sent the gold bought to London, and there exchanged it for German silver.

Restriction of Silver Coinage at the French Mints.

Alarmed by this drain on her gold, France, just recovering from the throes of a disastrous war, restricted by ministerial decree of September 6th, 1873, the coinage of five-franc silver pieces to 200,000 francs per day at the Paris mint, and to

80,000 francs per day at the Bordeaux mint. Thus the coinage was restricted to 280,000 francs, or approximately $54,000 per day. But France did not then discard, nor has she ever since discarded, her silver in circulation, or treated it in any other manner than as the equivalent of her gold coinage.

By a second ministerial decree, dated November 19, 1873, the coinage of five-franc silver pieces was further restricted to 100,000 francs per day at Paris and 50,000 francs at Bordeaux. And again by a third decree, May 28th, 1874, it was ordered that after January 1, 1875, the amount of silver received for free coinage on the account of private individuals should be limited to 75,000 francs per day at Paris and 25,000 francs at Bordeaux. Thus, by simple ministerial decrees, the law of 1803 establishing bimetallism in France at the rate of 15½ pounds of silver to 1 of gold, and opening the mints to the free coinage at that ratio of both gold and silver, without limit, was suspended. It was not until 1876 that, at the instance of M. Leon Say, the Corps Legislative passed a law, promulgated August 5th, 1876, closing the French mints absolutely to the free coinage of silver.

The Act of February 12, 1873.

Thus was the gold standard established in Germany, her silver thrown on the market to be exchanged for gold, and the French mints closed to silver. In the meantime our mints had been closed to silver. The act of February 12, 1873, ostensibly "an act revising and amending the laws relative to the mints, assay offices and coinage of the United States," dropped the silver dollar from the list of coins, and thus effectually closed our mints to the free coinage of silver, as the coinage of minor silver coin on private account had been previously suspended by act of February 21, 1853, which reduced the weight of our minor silver coin, half-dollars, quarters, and dimes, and restricted the legal tender of such coins to payments not exceeding five dollars. The act of February 12, 1873, changed the unit of our money from the silver dollar of 412½ grains of standard silver to the gold dollar of 25.8 grains (a coin that has not been coined since

1890), and it closed the mints to the free coinage of silver, suspending the coinage of the old silver dollar entirely, but it did not, as often stated, destroy the legal tender quality of the 8,000,000 of silver dollars that had been previously coined. This was accomplished by a clause of the revised statutes passed in the following year. Finally, the act of February 12, 1873, authorized the acceptance of silver at the mints for coinage into trade dollars of 420 grains, which were made legal tender for five dollars only, and further decreed that "no deposit of silver for other coinage shall be received." The clause of the act making trade dollars legal tender up to five dollars was soon repealed, and coinage was suspended in October, 1877, by order of John Sherman, then Secretary of the Treasury.

Legislation Hostile to Silver Caused Gold to Appreciate.

We have seen how silver was legislated against by Germany, France and the United States in 1873. Under the weight of these combined blows silver fell in price, and with the increased demand thrown upon gold for use as money, it appreciated and prices commenced to fall. Naturally 1873 is fixed upon by bimetallists as the date when silver was demonetized, although silver was not absolutely or suddenly discarded as a money metal in that year, and they demand that silver be restored to the same place it occupied prior to 1873.

And Prices to Fall.

Prices commenced to fall in 1873, and the fall has been almost continuous ever since. The only exception of moment is that following the passage of the Bland act prices were considerably higher for the years 1880–1883 than in the previous years. This can be seen by reference to the tables given in a previous chapter on The Fall of Prices. Prices were not at once cut in half for the very good reason that the demand for gold was not at once doubled, but only gradually increased by the gradual demonetization of silver, and therefore its value or purchasing power was not immediately doubled.

Compared with the average price of commodities for the four years 1870–1873 prices were:

9.7	per cent. lower	for the four years	1874–1877	Compiled from Senate Report 1394, Fifty-second Congress.
16.4	" "	" "	1878–1881	
16.8	" "	" "	1882–1885	
23.8	" "	" "	1886–1889	
24.5	" "	for	1890	
24.6	" "	January 1st,	1891	Compiled from THE AMERICAN'S tables, based on market quotations compiled by *Bradstreet's*.
25.9	" "	July 1st,	"	
29.8	" "	January 1st,	1892	
30.	" "	July 1st,	"	
25.8	" "	January 1st,	1893	
29.6	" "	July 1st,	"	
34.	" "	January 1st,	1894	
36.4	" "	July 1st,	"	
39.9	" "	January 1st,	1895	
35.2	" "	July 1st,	"	
35.7	" "	January 1st,	1896	
38.7	" "	April 1st,	"	

It will be seen prices fell gradually until in 1891 they were 25 per cent. lower than in 1870–1873; and that they then fell much more rapidly, prices being 19 per cent. lower on April 1st, 1896, than on January 1st, 1891.

Why the Fall in Prices Since 1873 Has Been Gradual.

Now, what is the explanation of this constant fall in prices? The gold-monometallists point to this very constancy in the fall of prices as proof that the demonetization of silver has had nothing to do with the fall in prices. Why, they ask, with confidence born of ignorance, if the demonetization of silver has cut the money of the world in half, causing the purchasing power of the balance (gold) to increase 100 per cent., why did not prices fall at once one-half upon the closing of our mints in 1873? But the money of the world was not at once cut in half by the demonetization acts of 1873.

As a matter of fact, silver has been discarded gradually as a money metal, and, consequently, the demand for gold has only been as gradually increased. The purchasing power of

gold was not immediately doubled by the demonetization act of 1873, because the demand for gold was not at once doubled, and therefore prices were not at once cut in half, only falling as gold appreciated with the increased demand. The demand for gold only increased gradually as silver was discarded as money, making it necessary to fill the void thus created with gold, and as the increase of population made an increased demand for money.

The Bland and Sherman Acts.

When silver was demonetized in 1873, we were doing business on a paper basis, and our paper money being irredeemable in either gold or silver was at the time our measure of value, and gold prices only fell here in sympathy with the fall in gold prices in Europe, caused by the effort of the German Government to exchange the silver in circulation in Germany for gold, which resulted in causing an increased demand for gold and a consequent appreciation of gold. The act of 1873 closed the United States mints to the coinage of silver, but in 1878, before we had returned to specie payments, and were still using an irredeemable paper money as our measure of value, the Bland act was passed, requiring the government to purchase and coin at least $2,000,000 worth of silver each month and restoring to silver its legal tender power.

Silver was only coined on government account and the coinage was limited, but all the silver coin in circulation and to be coined was made legal tender and equal to gold. Thus, when we returned to specie payments we were not reduced to an absolute gold basis, but made use, as a measure of value, of all the gold coin we had and could obtain and all the silver we had coined, together with the silver coined under the Bland act. The Bland act of 1878 thus prevented a sudden contraction of our money volume, which must have been followed by a disastrous fall in prices. But having restricted our silver coinage we were unable to increase our money so as to equal the demands thrown upon it by a rapidly increasing population, and thus while prices at first rose, in a few years, as population increased, they commenced to fall steadily, though not rapidly.

The Bland act was in force until 1890, when it was superseded by the Sherman act, which increased the coinage of silver for government account, and made silver a legal tender in payment of all debts when not specifically made payable in gold. The purchasing clause of the Sherman act was repealed November 1st, 1893, but the legal tender clauses of the Bland and Sherman acts were not repealed and are still in force.

But in 1892 and 1893, while the Sherman act was in force, prices began to fall rapidly, and after its partial repeal fell faster than before. The gold-monometallists point to this and ask for an explanation of the fall in prices in 1892 and the first part of 1893, for they say in the face of enlarged purchases and coinage of silver prices fell more rapidly than they did during the twelve years in which the Bland act was in force. Protectionist editors who are under the spell of the gold-monometallists find the cause in fear of tariff changes; but prices fell in all gold countries simultaneously and cannot therefore be attributed to fear of tariff changes. The true cause must be sought in a more worldwide cause, but this cause is found at home.

Silver Arbitrarily Discarded as Redemption Money.

The all-important cause was, and is, the greatly increased demand for gold and its constant appreciation caused by the unwarranted interpretation placed on the parity clause of the Sherman act by Mr. Harrison and his Secretary, Mr. Foster, and by Mr. Cleveland and his Secretary, Mr. Carlisle. Acting in accordance with the arbitrary interpretation they placed on the parity clause of the Sherman act, of which more hereafter, first Mr. Foster, and then Mr. Carlisle following in his footsteps, gave to the holder of Treasury notes the right to demand gold in redemption, and surrendered to the note-holder the discretion reserved by Congress to the Secretary of the Treasury to redeem such notes in either silver or gold at his (the Secretary's) option. The result has been to throw the burden of supporting our currency entirely on our narrow stock of gold, thus greatly increasing the demand for gold while discrediting silver. Consequently

the demand for gold increased, as evidenced by the depletion of our gold reserve and the borrowing of gold to replenish it, and with the increased demand gold rapidly appreciated and of necessity prices fell.

The cause of the accelerated fall in prices in the summer and autumn of 1893 and in 1894 need not be further sought than in the closing of the Indian mints, June 26th, 1893, and the repeal of the purchasing clause of the Sherman act, November 1st, 1893.

CHAPTER IX.

A Retrospect of Currency Legislation.

The Demonetization of Silver.—Attacks on the Greenbacks.—Efforts to Remonetize Silver.—The Bland Act.—The issue of Silver Certificates.—Were No burden on the Gold Reserve.—Increased Coinage Under the Bland Act Not Sufficient to Support Prices.—The Sherman Act and Issue of Treasury Notes.—The Parity Clause of the Sherman Act Construed so as to Require Redemption of Treasury Notes in Gold.—This Arbitrary Interpretation Fatal to the Stability of Our Monetary System.—Eminently Unsatisfactory Condition of Our Currency System.—How it Became Topheavy.—Not Through the Issue of Silver Certificates and Treasury Notes, But Through Discarding Silver as a Basis for These Notes.—Enormous Superstructure of Paper Money Resting on Our Frail Gold Reserve.—The Result of Discarding Silver.—Cause of Gold Exports.—Only Two Ways to Check Gold Exports.—Under Gold-Monometallism Contraction Inevitable.—Contraction Means Ruin and Bankruptcy, but Under Gold-Monometallism in no other way can we Check the Export of Gold and Prevent the Suspension of Specie Payments.—The Restoration of Bimetallism the True Remedy.

As soon as it became generally known that the act approved February 12th, 1873—an act originating in a bill transmitted to Congress by the Secretary of the Treasury on April 25th, 1870, providing for a revision of the coinage laws of the United States, finally passed by both Houses of Congress with little opposition and without a division, it being generally understood, indeed it was so stated by those having the bill in charge in both House and Senate, that the bill merely provided for a general and much needed revision of the coinage laws of the United States, and approved by President Grant as such—had, by omitting the silver dollar from the list of silver coins, closed the mints to the free coinage of silver, and would, with the resumption of specie payments, place us practically, if not absolutely, on the single gold basis, the demand that silver be remonetized became general among the masses of the people. With the discovery that the act of 1873 was one of contraction, inevitably leading to lower prices and smaller profits for all producers, a struggle was precipitated between the contractionists (who, by securing the passage of the act of February 12, 1873 —ostensibly an act to revise the coinage laws—had covertly forced the demonetization of silver, who were little inclined to yield the prospect of future profit through the increasing value

of money sure to result from discarding silver and throwing upon gold alone the demand for money; who were prepared to resist any move towards the restoration of silver, and who have, at every opportunity, sought to bring about the retirement of the greenbacks issued during the war), and the masses of the people, whose welfare, then as now, was bound up with, and ever must be dependent on, the existence of a stable measure of value and stable or rising prices. For twenty years this struggle has been fought with varying success, and is still undecided.

Shortly after the money-lending classes had succeeded in demonetizing silver in 1873, they renewed, with some success, their attacks on the greenbacks. They first succeeded in limiting the issue of greenbacks, June 20th, 1874, to $382,000,000, about the amount then outstanding, and the act of January 14th, 1875, authorizing an increase of the issues of bank notes further required the Secretary of the Treasury to retire legal tender notes (greenbacks) to an amount equal to 80 per cent. of the bank notes issued, until the amount of greenbacks outstanding should be reduced to $300,000,000.

But before the greenbacks had been retired to this amount, contraction was summarily checked. The people were not content to suffer the retirement of greenbacks and the substitution of bank notes. In 1875 and 1876, as it became known that silver had been demonetized in 1873, the demand for remonetization arose. Many bills providing for the free coinage of silver were introduced into the House of Representatives in the summer of 1876, but no determinative action was taken. During the winter of 1877–78 the demand for the restoration of silver culminated and found expression in Congress, and before the growing demand for remonetization the contractionists had to yield in part, in order to successfully resist the effort to open the mints to the free coinage of silver. The gold contractionists were forced to accept a compromise. The veto of President Hayes alone enabled them to defeat free coinage, and the Bland Act was enacted into law over his veto and in spite of the strenuous opposition of Mr. Sherman, then Secretary of the Treasury. During the same

session of Congress (May 31, 1878) retirement of the greenbacks was also summarily checked, leaving $346,681,016 outstanding.

The Bland Act.

The Bland Act provided for the purchase and coinage of not less than $2,000,000, or more than $4,000,000, worth of silver monthly. The unfriendly administration limited purchases to the minimum, and the same was the policy pursued by succeeding administrations until the Bland Act was finally superseded by the Sherman Act of 1890. While it was in force 291,018,019 ounces of silver were purchased, and silver of the coinage value of $376,265,722 added to our stock of money.

The coinage of silver under the Bland Act provided a gradual increase to our currency that was much needed, but which, as population increased, proved insufficient. The demands for money, owing to the increase of population and production and the greater quantity of produce to be exchanged, increasing faster than the supply, money appreciated and prices fell. The fault of the Bland Act was that it did not go far enough. Pendings its passage there were dire predictions of disaster. It was confidently predicted that its passage would be the signal for the exportation of all our gold, but from the passage of the Bland Act down to its repeal there was no occasion for anxiety on the part of the Treasury officials on this score. The gold reserve rose from $119,956,655 on the 30th of June, 1879, to $190,232,404 on June 30th, 1890, shortly before its repeal.

Silver Certificates.

The Bland Act, besides providing for the purchase and coinage of silver, required the Treasurer or any assistant treasurer of the United States, to receive from any holder standard silver dollars and issue therefor silver certificates in denominations of not less than $10 each, redeemable in silver dollars, the silver dollars taken on deposit being held in trust for such redemption. The issue, against deposits of silver dollars, of silver certificates

of smaller denominations was authorized by acts of August 4th, 1886, and March 3d, 1887. In this way the greater part of the silver coined under the Bland Act found its way permanently into circulation in the shape of silver certificates. Of such certificates nearly $347,000,000 have been issued, and over $330,000,000 are now (June, 1896) in circulation.

These notes were in no way a burden to the gold reserve. They were made specifically redeemable in silver and based solely on the silver against which they were issued. The Bland Act added over $330,000,000 of paper to our currency, but it added at the same time an equal amount of silver. The quantity of our paper money was increased, the superstructure resting on our stock of gold and silver was broadened, but the specie basis was at the same time, and equally, broadened. Consequently the Bland Act did not make our system top-heavy. It did not lead to the export of gold. There was work for the silver added to our currency to do, the demand for money was greater than the supply, and silver, the cheaper metal, circulated alongside of gold the dearer. The Gresham law, that cheap money drives out dear money, was inoperative, for there was no cheap money. Silver bullion was relatively cheaper than gold bullion, but silver money was no cheaper than gold money. There was just as much demand for silver money as for gold and consequently the silver did not expel gold. In fact there was no cheap money. The silver money restricted in supply and the gold money were equally dear.

The coinage of silver under the Bland Act was not sufficient to give us a stable currency. As population and demand for money grew faster than the supply limited to the coinage of gold and the restricted purchases of silver, money appreciated and prices fell. Consequently to the producing classes the Bland Act was not satisfactory. It did not give them the needed relief or insure them a just reward for their industry. Profits of industry disappeared in falling prices. Year after year the demand increased for unlimited coinage among the producing classes and the farming classes especially, who felt most severely the fall of prices.

On the other hand the contractionists demanded the repeal of the Bland Act and the contraction of our currency to a gold basis, but, although the demands of the gold contractionists were seconded by Presidents and Secretaries of the Treasury year after year, Congress refused to acquiesce in their demands. Yet while thus refusing to authorize contraction, Congress failed to provide for the needed expansion by opening the mints to silver. Thus from 1878 down to 1890 the Bland Act remained in force. The contractionists, while foiled in their efforts to bring about a repeal of this act, were able on the other hand to prevent enactment of financial legislation more favorable to the producing classes.

The Sherman Act, Gold Monometallism and Financial Chaos.

With the meeting of the 51st Congress the conflict between the gold contractionists and bimetallists became more acute. The demand for relief from the producing classes could no longer be ignored. The gold contractionists were unable to defeat all financial legislation, but they defeated the purpose of their opponents by compromise. The Bland Act was superseded by the Sherman Act, approved July 14, 1890, under which purchases of silver were increased to 4,500,000 ounces monthly, But the coinage of this silver was not made obligatory. The silver was paid for by the issue of Treasury notes redeemable at the discretion of the Secretary of the Treasury in gold or silver. Under this act silver was purchased between August 13, 1890, the date when the law went into effect, and November 1st, 1893, when the purchasing clause was repealed, to an amount of 168,764,682 ounces at a cost of $155,931,002.25 and paid for by the issue of treasury notes.

If the Secretary of the Treasury had redeemed the notes issued for the purchase of this silver in silver dollars coined out of the silver purchased as authorized by the act, there would have been no drain on the gold reserve. If he had coined the silver so purchased and used such silver for redemption, the metallic basis of our currency would have been increased

equally with the issue of paper. The reserve would have been increased equally with the demand liabilities, and there would have been no danger to the gold reserve from the issue of these treasury notes. Such was the purpose of those who favored the passage of the bill when the passage of a free coinage bill was found impossible. But such was not the course pursued by the Secretary of the Treasury.

Mr. Harrison and Mr. Foster yielded to the pressure brought by the New York money lending interests. They played into the hands of the gold contractionists.

Arbitrary Interpretation of the Parity Clause of the Sherman Act.

The Sherman Act declared it to be the established policy of the United States to maintain the two metals on a parity. The contractionists seized upon this clause. They vehemently declared, their organs iterated and reiterated, that this clause made it obligatory on the Secretary of the Treasury to redeem all notes in gold; that only by so doing could the parity be maintained. Such a course, instead of maintaining a parity, can, of course, only lead to the permanent disparity of the two metals. The parity can only be maintained by the option as to payment in either gold or silver being vested in and exercised by the debtor, in this case the Treasury, and the payment of demands for redemption in that metal which is most convenient.

But unwarranted as the interpretation placed on the parity clause of the Sherman Act by the gold-monometallists was, Mr. Foster accepted the false interpretation given by the contractionists. By so doing he set aside the intent of the Sherman Act, he discarded silver as a basis for the treasury notes, he increased the burdens for redemption on the gold reserve, and placed the currency of the country on the gold basis. The result of this interpretation was that the Sherman Act led to an increase of the volume of paper without increasing the reserve. The treasury notes were made to rest on the gold reserve alone. The superstructure was broadened, but the basis was not in-

creased, for the silver purchased under the Sherman Act was made a dead asset. It was unavailable. The result was, our system became top-heavy and our gold reserve drained.

Fatal to the Stability of our Monetary System.

This interpretation of the parity clause of the Sherman Act was fatal to parity; fatal to the stability of our monetary system. It not only destroyed the basis of silver upon which the treasury notes of 1890 were intended to rest, but it destroyed the basis upon which the silver certificates safely rested under the Bland Act. The misconstrued parity clause of the Sherman Act has been stretched to cover the silver certificates as well as the treasury notes of 1890. By law the silver certificates are redeemable, and redeemable only in silver, but practically since this interpretation they rest on gold. Mr. Preston, the director of the mint, is authority for this statement. In his annual report for 1895, page 184, after speaking of the $346,681,016 of greenbacks and the $141,092,280 of treasury notes outstanding November 1st, 1895, a total of $487,773,296, which he assumes to be redeemable in gold, and of the insufficiency of a gold reserve of $100,000,000 to insure their convertibility at all times, he proceeds: "But this heavy task is not the only one imposed on our gold reserve of $100,000,000. As under the laws of February 12th, 1878, July 14th, 1890, and March 3d, 1891, $423,289,309 in full legal tender silver have been coined, against which $333,456,236 in certificates were outstanding November 1st, 1895, and as the act of July 14th, 1890, has declared it to be the established policy of the United States to maintain the two metals on a parity with each other, upon the present ratio or upon such ratio as may be provided by law, we have a total superstructure of $821,229,532 resting on the frail basis of a gold reserve of $100,000,000."

Our Frail Gold Basis.

A gold reserve of $100,000,000 is indeed frail to support a superstructure of eight times as much. The European banks of issue, taken as a whole, hold $1 in gold to $2 of paper in circulation.

Gold in our Treasury will not support four times as much paper as gold in the European banks. The arbitrary interpretation of the parity clause of the Sherman Act has destroyed the $500,000,000 of silver behind the Treasury notes of 1890 and the silver certificates as redemption money, and instead of our superstructure of $800,000,000 of paper resting on $600,000,000 of gold and silver as it should, it has been made to rest on gold alone. The basis being thus restricted the effect has been the same as if the superstructure had been unduly expanded, and the result is, gold has been exported, the drain on our gold reserve has been continuous, and on four separate occasions since the repeal of the Sherman Act it has been found necessary to resort to borrowing to avoid suspension of gold payments.

Between June 30th, 1890, and December 31st, 1895, our net exports of gold amounted to $254,465,609, and gold exports must continue (except when checked artificially by borrowing) so long as we adhere to the gold standard and the Executive persists in interpreting the parity clause of the Sherman Act so as to give the holder of all paper issued by the United States the option of receiving payment in gold or silver, unless our currency is contracted, our greenbacks and Treasury notes retired, and thus the paper based on our gold reserve contracted until the proportion of our outstanding paper to our reserve is proportionately no greater than that issued by the banks of gold standard countries, occasioning such a fall in prices that our foreign creditors will take commodities in preference to gold.

The question for our producers to decide is simply between Bimetallism and higher prices, and Gold-monometallism and lower prices.

How our Currency System became Top-Heavy.

It is evident from the foregoing that our currency system is top-heavy. That it is in an eminently unsatisfactory condition few, if any, will deny, and no one will care to defend a system that has led to the issue of over $262,000,000 of bonds, and the purchase of over $293,000,000 of gold, within twenty-four

months, (February, 1894, to February, 1896,) to sustain it. And that a gold reserve of $100,000,000 is too narrow to support a superstructure of $800,000,000 of paper money, issued by the government and resting upon it, has been proven beyond dispute by the continuous drain on the gold reserve during the past three years and the necessity of resorting to borrowing to prevent the utter exhaustion of the gold reserve, the suspension of gold payments, and the collapse of our credit fabric.

That our currency system is top-heavy is indisputable. That the superstructure of $800,000,000 of paper money made to rest on the frail basis of a gold reserve of $100,000,000 is tottering, and can be only kept from collapse by artificial means—by the constant borrowing of gold—is undeniable. But why is it that our currency system has become top-heavy? The gold monometallists tell us it is because of the purchase and coinage of silver under the Bland and Sherman Acts, and the issue of silver certificates and Treasury notes to an amount of nearly $500,000,000. They tell us that, as a result, our currency has become redundant, and it is this that has led to the export of gold, the drain on the Treasury gold reserve, the depletion of that reserve and the necessity of resorting to borrowing gold to replenish it.

But the contention of the gold monometallists is not borne out by the evidence of history. The Bland Act was passed in February, 1878, ten months before the resumption of specie payments, and was in force until August 13th, 1890, when it was superseded by the Sherman Act. During these years and under the provisions of this act, over 291,000,000 ounces of silver were purchased and silver to the amount of $376,265,722 added to our currency—a sum in excess of the total issue of greenbacks. At the time of the passage of the Sherman Act the greater part of this silver was represented by silver certificates, the silver purchased and coined into full legal tender dollars under the Bland Act having been, in large measure, deposited in the Treasury in exchange for silver certificates. But the purchase and coinage of silver under the Bland Act and the issue of silver certificates, of which the gold monometallists now complain as having led to

an inflation of our currency, and which they predicted at the time would result in driving gold out of circulation, did not lead to the expulsion of our gold. Nor was the passage of the Sherman Act providing for the purchase of 4,500,000 ounces of silver monthly and the issue of Treasury notes in payment, the cause of the drain on our gold reserve, that was made the pretext for its repeal.

The Drain on our Gold Reserve.

The purchase of silver under the Bland Act did not make our currency top-heavy, and did not lead to the presentation of "greenbacks" for redemption in gold. On June 30th, 1879—a little over one year after the passage of the Bland Act, and six months after the resumption of specie payments—the gold reserve stood at $119,956,665, and on June 30th, 1890, just before it was superseded by the Sherman Act, at $190,232,404. It cannot, therefore, be said that the purchase and coinage of silver under the Bland Act and the issue of silver certificates resulted in undermining our currency system. On the contrary, by supplying a needed increase of currency, it made possible a material development of our resources, and an expansion of our trade and commerce that, far from leading to a drain on our gold for export, attracted gold to our shores, and, instead of weakening, resulted in broadening the basis on which our fabric of credit rested and thus strengthening the stability of our currency system.

It was not until five years ago that the drain on our gold reserve assumed such proportions as to attract attention, and it was not until the close of 1891 that our currency system appeared, and really became, top-heavy. The silver certificates had been and are issued against deposits of silver dollars held in trust for their redemption, and though the Treasury notes issued under the Sherman Act in payment for silver bullion to an amount of $155,930,940 were made payable in gold or silver at the discretion of the Secretary of the Treasury, the Sherman Act provided for the coinage of as much of the silver purchased un-

der that act as should be necessary to provide for the redemption of such Treasury notes as might be presented for redemption, and it was generally supposed, for some time after the passage of that act, that the notes issued under the Sherman Act would be redeemed in silver.

Redemption of Treasury Notes in Gold.

It was not until the middle of October, 1891, more than a year after the Sherman Act went into effect, that the question was raised. On October 13th a Treasury note for $1000 was presented at the sub-treasury in Boston for payment, and payment demanded in gold. The U. S. Assistant Treasurer at Boston refused to surrender to the noteholder the option vested in the Secretary of the Treasury by Congress to pay either gold or silver, and tendered silver. This was refused by the holder of the note, one Phineas Pierce, who forthwith brought the case to the attention of Mr. Foster, then Secretary of the Treasury, and Mr. Foster directed the Assistant Treasurer at Boston, in a dispatch dated October 14th, to pay Treasury notes in gold if demanded by the noteholder. Thus the option to redeem Treasury notes in either gold or silver was surrendered by the Secretary of the Treasury to the noteholder, and, to all intents and purposes, the silver purchased under the Sherman Act made unavailable for redemption purposes. The burden of supporting the Treasury notes therefore fell on gold alone. Later, the unwarranted ruling under which the Treasury notes were made gold obligations was, if we can accept the statement of Mr. Preston as authoritative, extended to the silver certificates.

Why our Currency System is Tottering.

It is thus that our currency system became top-heavy. Not through the purchase and coinage of silver and the issue of silver certificates and Treasury notes, but through discarding silver as a basis for these notes. It is because over $500,000,000 of silver in the Treasury, coined and uncoined, has been made unavailable for redemption purposes, and because the burden of redeeming all the government issues of paper money has been thrown on

gold alone that our currency system has become top-heavy. It is not because of the increase of our issues of paper money, but because of the tearing out of the foundations built to carry the additional superstructure, that our currency system is tottering.

The Remedy—The False and True.

The gold monometallists demand that we pull down the superstructure by retiring and cancelling the greenbacks and Treasury notes. To do so would cause a fall in prices that would engulf our producing classes in infinite misery. The true remedy is to be found in restoring what we have unwisely undone and building up again the foundations we have torn away. In a word, put back silver to share the burdens of redemption with gold.

When specie payments were resumed, January 1, 1879, the only currency that the Secretary of the Treasury was required to redeem in coin—not gold alone, but either gold or silver—aside from the gold and silver certificates, representing deposits of gold and silver specifically pledged for their redemption, consisted of the United States legal tender notes (greenbacks) then outstanding to an amount of $346,681,016. To provide for the redemption of these notes, Mr. Sherman, then Secretary of the Treasury, set aside $100,000,000 of gold, which has since come to be known as the gold reserve. Although the Act of January 14, 1875, directing the resumption of specie payments on January 1, 1879, made the greenbacks redeemable in coin, Mr. Sherman undertook to redeem them in gold, and established a custom without any warrant of law that has since been followed by his successors.

Accumulation of Gold Under the Bland Act.

On January 1, 1879, when specie payments were resumed, the Secretary of the Treasury had on hand $135,000,000 of gold coin and bullion and over $32,000,000 of silver coin and bullion, the greater part of the silver, however, and about $15,000,000 of the gold being specifically pledged for the pay-

ment of gold and silver certificates then outstanding. Six months after the resumption of specie payments the total gold holdings of the Treasury amounted to $135,236,475, and the net gold reserve available for redemption of greenbacks to $119,956,655 —gold to an amount of $15,279,820 being at that time specifically pledged for the redemption of an equal amount of gold certificates in circulation.

Eleven years later, June 30, 1890, the total gold holdings of the Treasury amounted to $321,612,423, and the gold certificates in circulation to $130,380,019, leaving the net gold reserve at $190,232,404. Up to this time the silver certificates issued under the Bland Act were treated as resting on the silver against which they were issued, and had in no way been a burden on the gold reserve, which was held solely for the redemption of the $346,681,016 of greenbacks. Thus, June 30, 1890, there were 55 cents in gold held in the Treasury against every dollar of paper issued by the government and redeemable in gold.

A Comparison that is Ominous.

Compare this with the condition at present. The Treasury notes issued under the Sherman Act, and the silver certificates, although issued in exchange for silver dollars and originally paid in silver, when presented for redemption, are now treated as resting on the gold reserve, and the gold reserve is made the basis not alone for greenbacks, but for the Treasury notes and silver certificates as well. And on June 1st last we had of these notes outstanding:

Silver certificates, ...	$346,942,504
Treasury notes issued under the Sherman Act, .	131,385,280
United States legal tender notes (greenbacks), .	346,681,016
	$825,008,800

Thus, instead of $346,681,016, resting on a gold basis of $190,232,404, as on June 30, 1890, we had $825,008,800 of paper resting on a gold basis of but $107,658,954. Instead of 55 cents behind each dollar resting on the gold reserve as on June 30,

1890, we had, June 1st, 1896, but a little over 13 cents. And of this vast sum of paper issued and resting on our gold reserve there was in actual circulation June 1st, as reported by the Treasury statements:

Silver certificates, ...		$336,313,080
Treasury notes, ...		98,080,506
Greenbacks, ...	$225,562,755	
Currency certificates issued against deposits of greenbacks, . . .	33,430,000	258,992,755
		$693,386,341

And to this sum, which Mr. Carlisle has undertaken to redeem in gold, should be added the bank notes in circulation to an amount of $215,285,500, or a total currency resting on the narrow gold basis of $908,671,841.

Such is the sum that, having discarded upwards of $500,000,000 of silver coin and bullion in the Treasury, we have obligated ourselves to redeem in gold. And having discarded this silver, having torn out the foundations on which we had based the issues of silver certificates and Treasury notes, we have made our currency system top-heavy. Indebted as we are to Europe, dependent on foreign ships for our foreign carrying trade, and Americans travelling in Europe spending great sums abroad yearly, we must sell much more produce than we buy, so that the merchandise balance will be sufficiently in our favor to pay interest charges, freights to foreign shippers and expenses of Americans abroad which foot up to over $300,000,000 annually, or we must export gold or run further into debt. And export of gold makes a drain on our gold reserve and depletes the frail basis on which we support upwards of $900,000,000 of paper currency.

Only Two Ways to Check Gold Exports.

To check gold exports we must make America an attractive market to buy in. And this can be done in but two ways. We must offer our commodities at lower and lower prices, and to this

end the gold-monometalists demand the contraction of our currency by the retirement of our greenbacks and Treasury notes, or we must raise the gold price at which our silver competitors can lay down wheat and cotton, etc., in the European markets in competition with our farmers, and thus lead to increased purchases of our products at higher prices. And to this end we demand the return to bimetalism. Under the gold standard we can only avoid the constant depletion of our gold reserve, the necessity of renewed purchases of gold by the sale of bonds, and ultimately suspension of gold payments and bankruptcy, by contracting our currency. But it is evident the American people will not tolerate contraction.

Contraction as a Remedy.

The gold mono-metallists tell us that only by contracting our currency can we hope to prevent the gradual depletion by exportation of our stock of gold. And if we suicidally persist in adhering to the gold standard, they are not far wrong.

They argue that our currency being redundant, prices rule so high that foreigners refuse to buy our products in sufficient volume to turn the balance of trade in our favor sufficiently to enable us to meet the charges on our foreign indebtedness, the expenses of Americans abroad and freights due foreign shippers, without exporting gold. We must therefore, we are told, retire our "greenbacks" and Treasury notes—contract our currency by some $500,000,000—causing prices of our farm products to fall until England finds it cheaper to buy here than in India, Mexico or Argentine. Otherwise, they tell us, we cannot hope to prevent gold exports.

Our people are, however, not suffering or complaining of the evils of a redundant currency, but quite the reverse. A redundant currency means cheap money, and cheap money means high prices, yet, excepting cotton, the prices of agricultural products, taken together, are lower to-day than they have been since the discovery of the gold fields of California. Surely it is not from the evils of a redundant but from an insufficient currency

that our farmers suffer, and while iron and steel manufactures, building materials, and some other products have advanced since the first of the year, prices, as a whole, are much below the average of three years ago. Nor is there a producer of any kind, even the most favored, who would not welcome a further rise of prices.

Many speak glibly of our currency as redundant and demand the cancellation of the "greenbacks" and Treasury notes, but few would welcome lower prices. If prices are too high, then our currency is redundant, not otherwise. If we suffer from high prices we should seek the remedy in contraction, but if we suffer from low prices to retire our "greenbacks" and Treasury notes would be to deliberately add to our distress.

Yet in demanding this contraction of our currency the gold-mono-metallists are logical. We can only prevent gold exports by offering our products at sufficiently low prices to attract foreign buying in such volume as will turn the balance of trade in our favor to an amount sufficient to offset $200,000,000 of gold due to Europe annually as interest on our foreign debt, and pay the expenses of travellers abroad and freights due foreign ship owners on our imports, at least $100,000,000 more. Or, failing this, we must offer our securities at such prices as to induce foreigners to reinvest their interest as it falls due. Otherwise, gold must go.

Contraction Means Ruin and Bankruptcy, but Under Gold-Monometallism it is Inevitable.

That most supercilious of gold organs, the New York *Post*, tells us that to prevent gold exports we must induce foreign buying in excess of what we buy. This is self-evident. It is the means of bringing this about that we question. Shall we contract our currency so that wheat can be laid down in New York at fifty cents and cotton at five, which means thirty-five cents to the farmer and three and one-half or four cents to the planter? Shall we thus induce foreign buying by impoverishing the farmer and planter? Would the farmers and planters

be recompensed for lower prices and entailed suffering by a check of gold exports or even by imports of gold? This is the question for farmer and planter to answer. To support gold-monometallism is to answer it affirmatively, for such is the inevitable sacrifice that persistency in the gold standard will entail upon us.

Prices must be made so low that the British trader finds America a good market to buy in, but a poor market to sell in —a market in which he can buy food and raw materials cheaper than in India or Mexico or Argentine, but in which he is not inclined to sell. This is what gold-monometallism will bring us to, for only thus, under gold mono-metallism, can we prevent the drain of gold to Europe, the exhaustion of our stock of gold and final suspension of gold payments.

Such a price, we firmly believe, our people are not willing to pay for gold-monometallism. To our producers, the loss of all our gold, silver-monometallism, would be preferable.

The True Remedy—Bimetallism.

But this is not necessary. By restoring bimetallism, expanding the basis of our currency instead of contracting the superstructure of credit money to the narrow gold basis, we can keep gold and silver in circulation side by side. The gold-monometallist believes, or at least feigns to believe, this to be impossible. He says we must turn the balance of trade much in our favor; that only thus can we keep our gold. We answer, Certainly. He says it is only possible to turn the balance of trade sufficiently in our favor by contracting our currency and thus causing such a fall in prices as to induce foreign buying. We answer, This is not only ruinous but needless. The English trader does not seek our products because he can buy cheaper in India, Argentine or Mexico. Raise the price to the Englishman of wheat or cotton bought in India and Argentine, and he will buy from us at prices much higher than those now ruling.

That it is preferable to make a market for our surplus pro-

ducts at higher prices, rather than beg for a market at lower, any gold-monometallist, whose feelings are not deadened to the sufferings of our people, must admit. But is this possible? Assuredly it is. The Englishman now buys in India, and other silver-using nations, paying with silver or silver exchange —silver that has remained of stable purchasing power in those countries even since the Western world struck it down. We have simply to raise the price of silver by opening our mints, and the Englishman, no longer finding it possible to buy silver with which to pay for purchases made in silver-using countries at sixty-eight cents an ounce, but forced to pay our mint price, to wit, $1.29, would at once find the cost of buying in silver-using countries doubled, and, so long as the prices were not doubled here, he would eagerly turn to our markets to buy cotton and wheat.

It is thus that we can remove competition for the markets of Europe, not by raising prices in silver-using countries, but by raising the cost to the British and other European importers of that which he must send in settlement for his purchases.

By opening our mints to silver we have it in our power to make a market for the products of the farm at rising prices. Thus we could expand our exports and at the same time get better prices for our produce, and then the balance of trade could be turned sufficiently in our favor to enable us to meet our interest and other obligations abroad without shipping gold. It is easier to pay interest with wheat at a dollar than fifty cents, and other products in like proportion.

The remedy for our sufferings and the only way to prevent gold exports that is not ruinous is by restoring bimetallism.

CHAPTER X.

Injurious Effects of Falling Prices.

Theory that falling prices are beneficial.—Disproved by all the facts of history and accepted by no economic student of standing.—Yet accepted by the gold mono-metallists.—The position of leading British gold monometallists.—All producers suffer from falling prices.—Falling prices tax the industrial classes for the benefit of the drones of society. —Lead to the withdrawal of money from industrial enterprises.—Hence falling prices lead to industrial paralysis and trade depression.—Rising prices and prosperity go hand in hand.—Periods of falling prices always marked by trade depression.—Lessons from the industrial history of England, 1819-1854.—Of America, 1840-1896.—Rising prices can alone bring renewed prosperity.—J. R. McCulloch and David Hume.

On the previous pages we have spoken of the great fall in prices commencing in 1873. We have shown that this fall of prices cannot rightly be attributed to overproduction or to cheapening of production, and we have shown the connection between the fall in prices and the demonetization of silver resulting in the appreciation of gold. Many gold contractionists, among whom we may count the leading British gold mono-metallists, admit all this ; they admit the appreciation of gold and consequent fall in prices, but in defense of their position they cling to the fallacious theory that falling prices are beneficial, a theory that is disproved by all the facts of history and accepted by no economic students of standing, other than such as are content to slavishly expound the theories adapted to the purposes of the gold mono-metallists and obey the dictates of the money power.

Indeed the consensus of modern economic opinion is favorable to bimetallism, and such a doctrine as that resurrected and remarkable theory now advanced by gold mono-metallists that falling prices are beneficial and that falling prices and prosperity go hand in hand, would be laughed to scorn by such students of political economy as Foxwell, Nicholson and Marshall, of England, by Thompson, and Walker, and Andrews, of America, the greatest of living economists, and all bimetallists.

Why gold monometallists cling to the fallacious theory that falling prices are beneficial.

The gold mono-metallists have been driven to defend this exploded theory by force of circumstances. Having been forced to admit that the fall in prices is due to the appreciation of gold they have no other ground upon which to stand, for once admit that falling prices are injurious, and they must admit that gold monometallism is injurious and indefensible. Defending monometallism from the false assumption that falling prices are beneficial is an Herculean task, but no longer able to deny the palpable fall in prices, proved as it is by unimpeached and unimpeachable statistics, and having been forced to admit the connection between the appreciation of gold and the fall in prices, no other course is left open to them. They must abandon the struggle for gold mono-metallism and so give up all their fond hopes of unearned gain and growing power, or carry on the struggle from this weak ground as best they can.

It is true that some gold-monometallists still cling to the theories of overproduction and the cheapening of the cost of production as explaining the fall in prices, and deny that gold has appreciated, and these arguments are used whenever opportunity offers. But gradually as the fallacy of these theories is being exposed gold-monometallists, following the lead of Sir Wm. Vernon Harcourt and the British gold-monometallists, boldly admit the appreciation of gold and the resulting fall in prices, but declare that such fall is beneficial.

All gold-monometallists are drifting in the same direction. Indeed, the choice of position is not open to them. They are being driven into a position where, like the drowning man clutching at straws, they clutch at the only remaining ground for defense, untenable as it is. No wonder they seek to avoid argument and resort to abuse.

But, despite the inherent weakness of their case, despite the fact that their logic is proved faulty, and their alleged facts false, despite the proved injustice and injuriousness of the system they advocate and the undoubted benefits that will accrue from

a return to bimetallism, the worship of Mammon is so great, the power of money seemingly so irresistible, that the outcome of the struggle between bimetallism and gold-monometallism, between liberty and oppression, between truth and falsehood, justice and injustice, hangs in the balance. A very little will turn the scale, and victory is within easy grasp of the bimetallists if they will only unite and work vigorously together.

The Position of English Gold-monometallists.

The position of the English gold-monometallists is, in brief, this: they accept the appreciation of gold as a fact, causing in turn a fall of prices. They declare that this fall is advantageous, not otherwise—First, because the producing classes, while, of course, selling at lower prices, are compensated by buying at correspondingly cheaper prices. Second, because the wages of the wage-earning classes not having fallen as far as prices, they can command more and more of the comforts and luxuries of life. And, third, because, although the burdens of debtors are increased, the income of the creditor classes is correspondingly increased, and, inasmuch as England is a creditor nation, it is to her advantage. In a word, the number of those who lose by falling prices is inconsiderable when compared to the number of those who gain. Therefore, the doctrine of the greatest good for the greatest number justifies a policy that changes all contracts and causes an artificial fall in prices.

This line of argument is, of course, not so acceptable to American gold-monometallists, for the United States is a debtor country, and therefore a loser from the increased value of debts. Britain's gain is our loss. But unpalatable as is this fact, it must in the end be accepted by the gold-monometallists.

The argument of the English gold-monometallists is based on the assumption that debtors are the only losers and that the creditor and wage-earning classes are greatly benefited by a fall in prices. In the first place, let it be remarked that the interests of debtors and wage-earners, of creditors and producers, are not antagonistic, but identical. The policy that benefits one benefits

all, the policy that hurts one hurts all. There is only one exception to the unity of interests of all mankind, namely, that class that lives off the fruits of others' labor—the leeches, the parasites of society. The existence of such a class is as unnecessary as it is unnatural.

All those who are engaged in the production of wealth—in a word, all those who labor to add to the utility of an object, to overcome the obstacles of nature and to increase the power of man to make use of the gratuitous and inexhaustible resources of nature—are the losers from a fall in prices. All society is a loser, for all the useful members of society save the professional classes are producers or directly aid production. Those who prey on society alone gain.

The Producers of Wealth.

All those who increase the utility of an object or increase the power of man to make use of the gifts of nature are producers of wealth. The utility of an object may be increased in four ways: by adding to the quantity without changing the form, by changing the form, by preservation, or by changing the place and putting it within reach of the consumer. Thus we may divide the useful members of the community into four classes.

To the first class belong the producers of raw materials, the farmers and the miners; to the second the manufacturers; to the third those who add to the wealth of the community by preserving perishable goods, and to the fourth class all those who aid in the production of wealth by facilitating the exchange of the products of labor. To this class belong all those engaged in transportation who directly add to the value of the products of labor by bringing them to market as well as facilitating production by reducing the cost of this service, and all those merchants and commission merchants, exclusive of speculators, who are the agents in distribution. Those who devote their time to the distribution of the products of others can do this service cheaper than the producer could directly. Therefore they aid production.

All Useful Members of Society Suffer From Falling Prices.

All of these useful members of society must suffer from falling prices. The farmer, because the burden of taxes and interest charges is thereby increased ; because the cost of production has not fallen proportionately with the fall in the price of his products ; because he must sell at wholesale prices, which are the first to fall, and buy at retail prices, which are the last to fall, and because he is competing for the European markets with the farmers of the silver-using countries who work under the incentive of an automatic bounty. The manufacturer also suffers from an increased burden of taxes and fixed charges, and from constant depreciation of his stock. He loses because wages do not, cannot, fall as rapidly as the price of his products, and he suffers doubly from the impoverishment of his customers, the agricultural classes, and from the resulting increased competition. The transportation companies are ruined by the falling off in freight tonnage and charges, while interest charges remain the same, and the merchant loses not only from falling off in business, but through the depreciation of his stock. Further, all lose together from the constant depreciation of property.

But, say the gold monometallists, the wage-earners gain. This is absurd. The wage-earners are the producers ; the farm laborer is a producer no less that the farmer ; the factory hands are producers no less than their employers. Falling prices drive employers to curtailment of production, and the loss is the wage-earners'. It is true wages have not fallen as far as wholesale prices, but they have fallen further than retail prices, and a fall in wholesale prices cannot benefit the wage-earner. He must buy at retail, and his reduced income caused by a fall in wages and enforced idleness does not go as far as formerly. The wage-earner can answer this for himself.

Who then lose by falling prices ? All those engaged in the production of wealth ; all the useful members of society. Who gain ? Those who live in idleness on the labor of others.

Falling Prices Lead to Chronic Hard Times.

Naturally, therefore, falling prices lead to chronic "hard times," for falling prices tax all producers of wealth for the benefit of the drones of society.

When prices are falling, then it is that the farmer, no longer able to dispose of his crops at a profit, becomes impoverished, and unable to purchase even those things which he looks upon in times of prosperity as necessities,—then it is that the manufacturer suffering losses becomes disheartened, and closes his mill or factory or curtails production. Yet when labor is thus reduced to idleness, when least is being produced, then it is that the markets are said to be "glutted," that surplus products accumulate on the hands of producers, and we are told to look for the cause of falling prices in overproduction or cheapening of production.

It is undeniable that prices are highest and products find the readiest market when everybody is at work and most is being produced, and it is, therefore, not reasonable when production is curtailed and prices ruinously low to seek for a remedy in further curtailment of production. Overproduction is a sham, a shadow, a will-o'-the-wisp, used by the gold monometallists to lead astray the people and divert their attention from the true cause of falling prices.

As prices fall products do, of course, accumulate on the hands of the producer, but these accumulations of unsalable products are not the *cause* of falling prices, but are *caused* by falling prices. The appreciation of gold has made money so dear as to amount to an almost prohibitory tax on the exchange of the surplus products of one producer for the surplus products of others.

Appreciation of Gold Leads to Hoarding and Paralyzes Industry.

As gold appreciates prices fall, and as prices fall money flows from productive into non-productive channels, for he who invests money in productive industries not only receives no

interest, but his principal depreciates, while he who withdraws his money from productive enterprises and invests it in debts of solvent debtors or holds it idle, reaps the advantage of falling prices, for the further prices fall the greater becomes the purchasing power of his money. Consequently, as gold appreciates, it becomes more and more centralized in the financial centers and a few hands. When prices are rising or gold falling the owner of gold seeks the producer, for his gold only yields return when invested in the products of labor, but when gold is appreciating or prices falling the producer must seek the owner of the gold. Thus, when gold is falling the buyer seeks the seller, local centers are established and the seller makes the price, but when gold is appreciating the seller must seek the buyer, not in the local centers, but in the financial centers, where gold is centralized, and he must accept the price offered by the buyer, the owner of the gold, or his products will remain unsold, unsought.

As soon as it becomes apparent to the money-lenders and speculators that silver is to be restored to its place as money, prices will at once rise, for the speculative cliques will discount the rise of prices sure to follow the expansion in the volume of money that must follow the opening of the mints to silver. And as soon as the money-lenders become convinced that the downward trend of prices will be checked, and that a continued rise in prices will follow the restoration of silver to its place as money, they will hasten to convert their bonds, and other evidences of indebtedness which they hold, into money, and invest the proceeds together with the gold they have hoarded in the products of labor.

It is their self-interest to do so, and the money cliques are not blind to their own interests. As long as money is appreciating, nothing is so profitable as to invest it in debts of solvent debtors or even to hoard it. It gains in value while lying idle. But when expansion takes the place of contraction and prices begin to rise, the value of hoarded money becomes less and less; debts and idle money will then command less and less of the products of the labor of other. Then money must be invested

in productive enterprises to be remunerative. Lying idle its value will be gradually dissipated.

Such being the case, as soon as the owners of idle money and debts become convinced that the restoration of silver to its place as money is inevitable, they will readily part with debts due them for the products of labor, and they will invest all their idle money in productive enterprises. Such a demand for the products of labor will, of course, tend to raise prices.

It is therefore not surprising that falling prices should lead to industrial paralysis and trade depression, and that rising prices and prosperity should go hand in hand. From a theoretical standpoint the assumption that falling prices are beneficial is baseless, but indisputable facts sometimes speak louder than words. Let us look, then, to the evidence of history.

Lessons from the Industrial History of England.

Turning first to England, and tracing the course of prices from the close of the Napoleonic wars, we find that falling prices and periods of depression have always gone hand in hand. Between 1819 and 1822 prices fell rapidly 16.5 per cent., caused by the violent contraction of the currency. Production fell off, and the working classes experienced such distress as they had not felt for years. But the contraction was too sharp, and the demand for an extended use of bank currency too great to be withstood, and with the increased issues of bank notes prices rose 13.6 per cent. during the years 1823–25, and prosperity returned. In 1825 came further contraction, resulting in the great panic of that year. Prices fell between 1825 and 1826 14.5 per cent., and continued to fall gradually until 1834, when they were 10 per cent. lower than in 1826. During this period the condition of the working classes was deplorable, and no alleviation was felt until in 1834 prices began to rise. Between 1834 and 1836 prices rose 13 per cent.; then came the panic and trade depression of of 1837, a reflection of the panic in the United States, and a fall in prices of 8 per cent. followed by a revival of trade during the years 1838–40, and a concurrent rise in prices of 9.5 per

cent. All are familiar with the distressing state of the English workman that led to the mistaken agitation finally resulting in the repeal of the Corn laws in 1846. Between 1840 and 1843 prices fell 19.4 per cent., and though prices were 14.5 per cent. higher in 1847 than in 1843–44, little relief was felt, because the rise in prices was directly due to the great Irish famine, and the following years, 1847–49, during which prices fell 22.1 per cent., are, perhaps, the darkest in English industrial history. During the years 1850–52 prices remained almost stationary at this low level, and these, too, were years of great depression.

In these years of suffering and despair, 1847–52, every government in Europe was rocked on its base. What the result would have been if the policy of England in contracting the money of the world had gone on unchecked no man can tell, for unlooked-for relief was at hand. With the influx of gold from the Californian and Australian gold fields and the expansion of the currency, new life was instilled into agriculture, manufactures and commerce. The decline of prosperity was checked, and as prices rose between 1851 and 1854 36 per cent. hope everywhere took the place of despair.

Of America.

Having thus far traced the course of English prices, let us turn to America and study the course of prices in the United States, as shown by the United States Senate report, already referred to. Following the recovery of prices and business from the disasters of the panic of 1837 prices fell between 1840–43 13 per cent., and we passed through a period of distress which led to a revulsion of feeling such as America had not before seen, and the election of General Harrison on a sweeping tidal wave. The tariff of 1842 was the result of the election, and the decline of prices was checked, with the result that from 1843 to 1846 we enjoyed an era of comparative prosperity, during which prices rose 4.8 per cent. But with the enactment of the Dallas tariff in 1846, labor was reduced to enforced idleness, factories were closed, and prices fell 7.3 per

cent. in three years. Here, however, as in the case of England, relief was at hand. Gold was discovered, and in spite of the ruinous tariff, prices rose between 1849 and 1856 14.7 per cent., to the great relief of the producing classes. The effects of the Dallas tariff are shown in this small rise in prices compared to a rise of 36 per cent. in English prices following the discovery of gold.

Then came the panic and relapse of 1857, and the years 1857–60 were years of sore distress and marked by a fall in prices of 12.5 per cent. With the war came a rise in prices, and in 1866 prices (gold) were 36.3 per cent. higher than in 1860. The years 1866–69 witnessed a fall in prices of 17 per cent., and the years 1869–73 a rise in prices of 12.3 per cent. The first was a period of depression, the last of prosperity. Mark the contrast of falling and rising prices. Then came the demonetization of silver and the panic of 1873, and for six long years there was little if any revival. The distress of the wage-earning classes is vividly recalled by the numerous strikes and riots and constant clash between capital and labor. During this period prices fell 24 per cent. With the passage of the Bland act came a return of prosperity, and the years 1879–83, during which prices rose 12. 3 per cent., are looked back to as the most prosperous years since the demonetization of silver. This bright period was followed by depression, and business was extremely dull in the years 1884–86, years marked by a steady decline of prices—prices being 15.5 per cent. lower in 1886 than in 1882. The slight improvement during the years 1886–89 is also marked by a slight rise in prices, while during 1890 and 1891 prices remained steady.

The history of falling prices and the concurrent disaster and distress of the last five years is so indelibly written in many hearts as to need no repetition here. Suffice it to remark that as prices have continued to fall, the ominous clouds of disaster and distress have grown deeper. In the spring of 1895 the operations of the famous bond syndicate, by momentarily preventing the export of gold by borrowing abroad, caused a local inflation in our currency, resulting in a momentary rise in prices, and there

was a slight rift in the clouds of business depression and industrial stagnation. But as this artificial stimulus to prices wore off, the clouds of gloom have gathered thicker than ever over the industrial world.

Rising Prices and Prosperity Go Hand in Hand.

The lessons of the past and present prove that periods of depression are always marked by falling prices, and that prosperity and rising prices go hand-in-hand.

If prices had fallen as the result of demonetizing silver to one-half of their old quotations and had then become stable at the lower level we would have been able to adjust our dealings to the new conditions, and after the adjustment was once made trade would have again reached a normal condition. The losses occasioned by such a fall in prices would have been great, and would have brought ruin to many; but they could have been measured, and, when once accepted and met, and the country had had time to adapt itself to the lower prices, our people could have resumed their dealings with one another without fear of further loss. Of course the unjust burden thrown upon debtors who had borrowed under the old conditions would not have been lightened.

Infinite injuries inflicted by a continuous fall of prices.

The effect of the demonetization of silver has been to double the burdens of all debtors, but if Congress, instead of striking down silver as it did in 1873, had enacted in so many words that all debts must be settled by the payment of twice the amount called for, that a debt contracted in terms of $1,000 could thereafter only be paid by the payment to the creditor of $2,000, the injustice done would have been more palpable, but the country would not have suffered one tithe of the disasters that have followed in the train of silver-demonetization and the unseen and constant fall of prices. If prices had taken one measurable fall and then had become fixed, the above would have been the results, losses and disasters would have followed, but the resulting distress would have been insignificant in comparison to the appalling and

rapidly spreading distress that now surrounds us. If prices had become stable at the lower level there might be some truth in the statement of the monometallists who say that the fall has hurt no one, because the reduced proceeds that the producer receives from the sale of his product are equaled by the reduced cost of what he buys.

But prices have not become fixed at the unparalleled low prices. On the contrary they continue to fall, as they have done for the last twenty years, and as they must continue to do, so long as population increases, thus increasing the demand for money, and the supply remains restricted to the paltry product of gold. While the fall in prices continues business must continue to be unsettled and the energy of the producer paralyzed. The producer cannot prosper when prices are falling. He may add to the utility and hence the value of the material upon which he is expending his labor and capital, but the depreciation in the price of his stock will absorb, in the meantime, all his profit.

And if the employer does not prosper, can the wage-earner? If one prospers the other prospers; neither can prosper alone, or at the expense of the other. The statement repeated again and again that the pay of the wage-earner has remained nearly the same, and that, therefore, he is a gainer from the low level of prices, has no foundation. Wages have not remained the same; the normal rate has, it is true, in some rare instances, been maintained, but idle days have reduced the earnings of the wage-earner as much as would a reduced scale of wages. Three million men continuously idle, and perhaps as many more working on reduced time, tell the tale of reduced wages. The fact is that the yearly earnings of the wage-earner have fallen in proportion to the fall in prices. What better proof of this than the present struggle of the great wage-earning classes for mere existence? Of this more anon.

Rising Prices Can Alone Bring Renewed Prosperity.

Therefore it is that no producer, whether employer or employee, whether farmer or manufacturer, can prosper under an appreciating standard and a consequent fall in prices. With

stable prices he will be satisfied and prosper, but a rise in prices will give a great impetus to production because the appreciation of his stock acts as a bonus—being, in fact, so much additional profit. Justice demands a stable currency, but it demands more than a stable currency based on the present contracted basis. It demands a stable measure of value based on the average price of commodities before the late extortionate contraction and the resulting fall in gold prices. This is what bimetallists ask for. They neither ask nor desire inflation, but they insist upon the restoration of old conditions as nearly as may be, which will give our sorely pressed producing classes a chance to recuperate.

In the words of J. R. McCulloch:

> While, like a fall of rain after a long course of dry weather, it (an increase in the stock of money) may be prejudicial to certain classes (the classes that have unduly prospered at the expense of the producing and debtor classes), it is beneficial to an incomparably greater number, including all who are actively engaged in industrial pursuits, and is, speaking generally, of great public or national advantage.

The words of the historian and philosopher, David Hume, may also be recalled with profit:

> In every kingdom into which money begins to flow in greater abundance than formerly, everything takes on a new face; labor and industry gain life; the merchant becomes more enterprising, the manufacturer more diligent and skillful; even the farmer follows his plough with greater alacrity and attention."

CHAPTER XI.

Evils of Gold Monometallism, and Bimetallism as the Remedy.

Gold monometallism synonymous with falling prices and falling prices always a curse.—Injustice to debtors.—An appreciating standard stifles industry.—Injurious to all producers.—Farmers.—Wage-earners.—Manufacturers.—The appreciation of gold builds up domestic trusts and fosters destructive competition with silver-using peoples.—The evils of gold monometallism.—A summary.—Bimetallism the remedy.—Imaginary dangers of opening our mints to silver.—Would not result in a flood of silver, but would restore the parity between silver and gold.—Benefits that must accrue from a return to bimetallism.

THE creditor classes in Great Britain and elsewhere, who expected to profit through falling prices by securing a larger portion of the products of the producing classes—their debtors—in the shape of interest and principal, and who prompted, by the hope of self-aggrandizement and profit at the expense of others, bent their united efforts to bring about such a fall in prices by putting silver aside as a money metal and thus contracting the money of the world, reaped the first reward of their efforts when in 1873 the United States closed her mints to silver, when Germany threw large quantities of her discarded silver coin on the London market in exchange for gold, and when France restricted the coinage of silver. As one nation after another closed its mints to silver, thus restricting the quantity of silver in use as money to that already in circulation, and as the silver in circulation at the time free coinage was suspended has been gradually reduced to token coinage dependant on gold, the demand for gold has much increased, its price has risen in consequence, and a great fall in general prices has occurred.

Sauerbeck's tables of forty-five leading English commodities (see page 38) showed prices for 1895 to have been about thirty-eight per cent. lower than they were on the average for the years 1867-1877, while tables covering sixteen of the principal exports of the United States (see Chapter XIV. on *The Effect of Falling*

Prices on our Foreign Trade), taken with regard to importance, show a fall in prices for the fiscal year 1895 of 54.58 per cent. over prices ruling in 1873. Mr. Sauerbeck's tables are substantiated by the tables of the London *Economist*, and the general fall in British prices is almost equivalent to the fall in the price of twenty-six of our chief imports, which show collectively a fall of 36.47 per cent. for the fiscal year 1895, as compared with the year 1873.

A Fall in Prices Always a Curse.

This fall of prices is uncontested by all fair men. To this fall in prices, or rather appreciatian of gold, bimetallists attribute the evils of gold-monometallism, but, as we have said, there are some monometallists who deny that a fall in prices is an evil. They base their case on the assumption that the cost of production has fallen proportionately with falling prices. But even if this were so, which it is not, there is no justice in a monetary system which throws the benefits of improved facilities into the hands of the creditor and trading classes and makes it impossible for producers to reap any advantage from improved methods of production and the improvement of labor-saving machinery, the products of their own minds. If producers are no better off when using improved machinery than before, if the money-lending classes alone receive the benefit of improved machinery, where is the incentive to the development of inventive faculties and the use of brain power on the part of producers?

A lowering of the true cost of things, that is, the saving of energy and labor in producing an article, is always advantageous, meaning an increase of wealth, but a fall in prices is always a curse, for falling prices, even when coincident with cheapening of production, while adding unearned profit to the creditor classes, utterly forbid the producers from sharing in the profits of their own inventions, and make impossible what would otherwise mean an easier living in general for mankind.

Between 1850 and 1872 the labor cost of production was falling faster than since, but prices were not falling—they were rising—and the wage-earner benefited from improved methods

of production in higher wages. Since 1873 prices have fallen almost steadily, and the producer has reaped less and less reward for his industry. The only bright spots in our industrial history for the past twenty years have been when prices were rising consequent upon temporary measures to enlarge the use of silver.

Injustice Done to Debtors.

The most palpable, but far from the most injurious effect of falling prices consequent upon the appreciation of gold, has been to double the burden of all debts and levy a double tax on all production. It forces every debtor to pay more than he covenanted to pay,—not more dollars, but more property. In 1873 the funded debt of the United States amounted to $1,710,482,950. June 1, 1895, it amounted to $845,488,590, but the same quantity of commodities which it would take to cancel this apparently much-reduced debt at prices of our principal exports for 1895 would have paid off a debt of $1,860,074,898 in 1873. Our interest- and non-interest-bearing debts amounted to some $2,065,000,000 in 1873, in 1896 to some $1,200,000,000, but it would take the same sacrifice of commodities to pay this debt to-day as it would to have paid $2,640,000,000 of debt in 1873. As with the United States, so it is with our railroads and all other debtors.

And compared with the immense municipal, corporate and private debt resting on our people, our national debt is insignificant. The following table will give some idea of the enormous burden of debt that rests on our producing classes, and the interest on which has been practically doubled by the fall in prices brought about by discarding silver:

National debt, June 1, 1896:		
Funded,	$845,488,590	
Non-interest bearing,	373,535,051	$1,219,023,641
Indebtedness of States, counties, municipalities, etc., census 1890,		1,135,210,442
Debt of steam railroads, June 30, 1894: Interstate Commerce Commission.		
Capital stock,	$4,834,075,659	
Funded debt,	5,356,583,019	10,190,658,678

Mortgage indebtedness: Census 1890.		
On farms,	$1,085,995,960	
On homes,	1,046,953,603	
		2,132,949,563
Debt of street railways, stock and bonded,		1,300,139,711
Loug time indebtedness actually ascertained as above,		$15,977,982,035
Add bonded and stock indebtedness of manufactories at least,	$3,500,000,000	
And mortgage indebtedness on real estate not occupied,	1,000,000,000	
		4,500,000,000
Long time indebtedness of the United States, including national, State, country, municipal, steam and street railroad, real estate mortgage indebtedness and indebtedness of manufacturing corporations only, and excluding all other indebtedness, both long and short time, to wit; all private debts, chattel mortgages, floating debts of railroads and other corporations, debts due to pawnbrokers, etc., and paying no attention to ordinary commercial indebtedness, may be set down at not less than		$20,477,982,035

Hon. J. H. Walker estimated the indebtedness of the United States, including many of the above excluded items, at $31,488,000,000. Mr. Walker is a gold-monometallist in Congress.

Baneful Effects of the Appreciating Gold Standard.

But great as is the injustice and moral wrong of doubling the burdens of all debtors it is far from the most baneful effect of the appreciating gold standard. If debts had been merely doubled the country could have shouldered and even prospered under its increased burden, but the fall in prices has sapped the very profits of industry which would have made it possible to pay interest and principal.

Falling prices are first felt by the producers and employers of labor, who must sell their produce at wholesale prices. As prices fall, employers endeavor to cut wages; but this is possible only after prolonged and bitter struggles, for retail prices, at which the workmen make their purchases, are the last to fall,

and, therefore, reduction in wages means for them a lower plane of living, fewer comforts, and even the lack of necessaries. Wages do finally fall, for the only other alternative for the workman is idleness, but they necessarily fall after wholesale prices while faster than retail prices. Thus the profits of employer and the actual wage of the wage-earner come down together. The result is restricted purchases by wage-earners, in turn smaller demand for the products of others, and in turn a further restriction of production and enforced idleness resulting in further fall of wages.

The money yield of an acre of wheat has fallen since the demonetization of silver from $14.87 in 1872 to $6.99 in 1895, the money value per acre of wheat, corn, oats, barley, rye and buckwheat, taken together, from $12.81 to $6.78, but the cost of the loaf of bread and other food articles to the workman in the manufacturing cities has fallen in no such proportion.

Thus the farmer is impoverished by lower prices, and from his impoverishment no one gains. The wage-earner is injured not only because the prices he pays for the food he must have fall in no such degree as farm prices, but because with the impoverishment of the farmer employment is curtailed both on farm and in factory, for with the impoverishment of the farmer demand for manufactured goods is restricted and manufacturers are obliged to curtail production, which throws wage-earners out of work. And so the manufacturer loses from the impoverishment of the farmer, for the farmer makes the market for his goods. Consequently the impoverishment of the farmer results in decreased demand and lower prices for manufactured goods, and, of course, smaller profits for manufacturers. Yet, while manufacturers are impoverished by the low prices at which they are obliged to sell their goods, the farmer and wage.earner, who are the ultimate consumers, do not reap any corresponding advantage, for the prices they are obliged to pay do not fall in any such degree with the fall in wholesale prices of manufactured goods.

The question then naturally presents itself:

What makes it possible to squeeze the farmer and manu-

facturer on one side and the consumer, whether on the farm or in the town, on the other.

Falling Prices Build Up Monopolies.

The answer is not far to seek. Falling prices destroy all incentive to investment of money in industrial enterprises, save in the creation of trusts and monopolies organized to maintain prices by curtailing production and destroying competition, and money flows to financial centres, for it grows faster in idleness, when it profits by the depreciation of values, than when employed. The owner of gold no longer seeks the producer to buy the products of his labor, but the producer must seek the owner of the gold. The seller becomes separated further and further from the purchaser, and all trade is drawn from its natural channels into arbitrary channels made by the hoarding of gold in the financial centers. And separating producer from consumer makes extra transportation charges, while both the sale and purchase of commodities through supernumerary middlemen and loaners of money in a position to dictate sales and purchases, unduly taxes the producer on the one hand and the consumer on the other. Thus is it possible that the producer, whether farmer or manufacturer or wage-earner, suffers much more from falling prices as a producer than he gains as a consumer.

Competition With Silver-using Countries.

These are the direct evils due to falling prices, and falling prices and gold-monometallism are synonymous. But there is an indirect evil of infinite magnitude. The silver-using countries are placed at a great advantage in competition with us, for they have been working on a stable standard and have had no disturbance of wages or prices. With what we look upon as a fall in silver, prices and wages have not advanced in silver-using countries, while with what they look upon as an appreciation of gold, prices and wages have not fallen in gold-using countries proportionately. The difference between this depreciation in silver and the fall in our wages and prices is their profit in sell-

ing to us. To meet this competition is impossible, for our producers are handicapped with taxes and fixed charges payable in gold, and we cannot reduce the pay of our wage-earners without reducing our plane of civilization.

This leads to increased competition for our markets from European manufacturers, who, no longer able to dispose of their manufactured products to silver-using countries seek an outlet in the only remaining market—the United States.

Such in brief are the evils inseparable from falling prices.

Evils Inflicted by the Appreciating Gold Standard.

To sum up, we have shown that the appreciation of gold is the direct cause of falling prices; that under present conditions gold-monometallism leads inevitably to lower prices; that lower prices mean bankruptcy to debtors, ruin to producers, idleness, lower wages, distress and misery to wage-earners. We have shown that falling prices destroy the profits of industry, chill enterprise, separate producer from consumer, stimulate the organization of trusts and monopolies, and reduce all producers to dependence on the trading and money-lending classes. Further, we have shown that the appreciation of gold invites competition from silver-using China and Japan, competition we can only meet by reducing the wages of labor to the Oriental level,* plus costs of transportation, a level that will destroy

* The following table giving the average rate of wages obtained in different districts of Japan as compiled by the Statistical Bureau of Japan will afford the American workman much serious matter for reflection.

AVERAGE MONTHLY WAGES (WITHOUT FOOD).

	Silver.	Approximate Value in U. S. Gold.
Weavers, men	$4.83	$2.56
Weavers, women	3.30	1.75
Agriculturists, men	2.31	1.22
Agriculturists, women	1.28	.68
Men servants	2.12	1.12
Women servants	1.16	.61

The Japanese yen of 416 grains of silver is now worth but 52.9 cents in United States gold coin. Before silver was demonetized the yen, which contains 3½ grains

much of our boasted civilization and reduce the condition of our once independent and self-respecting workmen to the degraded and subservient position of Asiatic labor; and, finally, we have shown that the appreciation of gold is not due to natural causes but to the artificial demand thrown upon it by contracting the money of the world by discarding silver. Such being the case, the remedy for the evils under which we suffer is not far to seek.

The Remedy.

The fall in prices being due to the appreciation of gold caused by destroying silver as a money metal, thus doubling the demand for gold, we have but to remove the cause of this appreciation, to retrace our steps, restore silver to its place as money side by side with gold, and thus release ourselves from the evils we suffer under the gold standard. As the fall in prices since 1873 has been caused by the contraction of the money of the world and the necessity of adjusting prices to the gold standard, so a rise in prices can be inaugurated by increasing the money of the world and basing prices again on both gold and silver. The rise in the price of silver in the early part of 1895 was the chief factor in causing an advance in cotton and wheat, which started the upward trend of prices that marked the spring and summer of that year.

Open our mints to the unlimited coinage of silver, and immediately with the increased demand, silver would rise, while gold, for which there would be no demand for coinage so long as one

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more of silver than our dollar, was worth in gold a fraction over 100 cents, and then of course the equivalent of Asiatic wages in United States gold was nearly double the figures given in the second column. Chinese and natives of India work for even less. As they are paid in silver, the further silver depreciates as measured in gold, the smaller is the gold cost of producing goods in Japan, and the lower the prices at which the Japanese merchant can profitably sell his goods in America for gold. Thus protected by this divergence in the value of gold and silver the Asiatic will be enabled to underbid the American workman in every branch of industry.

That the Chinese and other Orientals can live on half the wages needed by the American workman for mere subsistence is no fault of our legislation, but our Government is solely to blame for demonetizing silver and reducing the gold equivalent of Oriental wages to a degree which renders it simply impossible for our farmers, our planters and our artisans to compete successfully with the products of Asiatic labor.

ounce of gold was worth more than sixteen ounces of silver, would rapidly fall in value with the consequent decreased demand. We are told that our mints would at once be flooded with silver, and that the increased demand for silver would have no effect on the market price; but those who give currency to such statements speak and write without knowledge. The silver now in use in gold-standard countries as token coin would certainly not be melted down and sent to America, for it has now a greater value as token coin (being coined in most countries at a ratio of 15 or 15½ to 1) than it would have as full legal tender silver coined at the ratio of 16 to 1. Nor would silver in use as ornaments and plates be melted down and exported, for the workmanship spent on such silver in most cases more than equals the difference between the market ratio and the mint ratio of 16 to 1, even at this time. To melt down such silver would be to sacrifice the value given it by workmanship.

European Demand for Silver.

Europe must import silver from America to make her settlements with India and the East, or she must draw on her own stock, and of her own stock she has none save what is in use at a value compared to gold exceeding our mint ratio. The effect on Europe of the United States opening her mints to silver would be to force Europeans to pay more for the silver they buy of us and which they have exported to India to pay for cotton and wheat, and as silver rose they would find it less and less advantageous to buy in India and would turn to America so long as prices in America had not risen as far as silver. Thus the immediate result of making a demand for our silver and increasing its value would be to put us on more even terms with our competitors in silver-using countries who have been enabled to depress the prices of cotton and wheat with the fall in silver, for the premium on the gold they received in payment has made up the difference to them in the fall of gold prices. Thus the market for our cotton and wheat would broaden and our planters and farmers receive better prices.

Those who are at all conversant with the supply of silver in the world know that there is but little already mined and available for coinage. and the immediate effect of opening our mints to silver, thus greatly increasing the demand for it, while decreasing the demand for gold, would be to at once restore the parity between them by causing gold to fall and silver to rise in price.

Benefits of a Return to Bimetallism.

With the fall in the price of gold, prices would rise, and as prices rose money would seek investment in productive industries and the products of labor. Being no longer profitable, but quite the reverse to keep money in idleness, the owners would be anxious to invest it in those commodities which were rising in value so as to reap the advantage of the rise. The producer then would be in a position to command a price, for he would not be anxious to sell, while the owner of money would be anxious to buy so long as prices had a rising tendency. Money would again seek its natural channels—flow in the channels of production, not away from them—local centers of distribution would again grow up and the producer and consumer would be brought together with consequent saving of freight on unnecessary transportation, storage charges and commissions. Those industries, weighed down with debt, unbearable under the gold standard, would have their burdens lightened and would take on new life, while the profits of all employers would increase, with the result that there would be more to divide as increased wages and dividends. There being no occasion to curtail production to maintain prices, trusts and monopolies created with this view would be weakened by new competitors and the desertion of their own members.

But not only would we greatly stimulate production and our domestic commerce by returning to bimetallism, but we would greatly extend our commerce with the silver-using countries of South America, China and Japan. We are their natural customers for the products of their soil for which our climate is unsuited, and as the difference between the value of gold and

silver, as the premium on gold in silver-using countries, disappeared, it would again become possible for them to purchase of us manufactured articles. It is in these countries that we must look for a market to dispose of our surplus goods. Our European trade impoverishes us, for we import nothing we could not make at home, and thus secure with a smaller sacrifice of labor and energy. It is not profitable to transport articles three thousand miles that we can make just as well at home. Trade should develop along the parallels of longitude, not of latitude.

Only with the restoration of bimetallism can a true era of prosperity return. Under an appreciating gold standard we will ever be in dependence on foreign powers, and our great natural resources will remain undeveloped, to the infinite loss of our people.

CHAPTER XII.

The Manufacturer's Interest in Bimetallism.

The aim of a true protective system is to free both consumer and producer from dependence on foreign monopolists.—The appreciating gold standard leads to the separation of producer and consumer.—Builds up competition with silver-using countries.—Has enabled silver-using peoples to sell their produce for one-half the price in gold that they could twenty years ago without reducing their profit one jot.—Our manufacturers cannot successfully meet such competition.—How the appreciation of gold has fostered manufacturing in China.—Acts as a bounty on exports from silver-using to gold-using countries.—As a protective tariff against imports from gold-using into silver-using countries.—This leads to increased competition of European manufacturers for our markets—Advantages possessed by Great Britain over other gold countries.—Competition with the agriculturists of silver-using countries for the European markets has impoverished our farmers.—Which leads to reduced demand for manufactured goods.—So long as our agricultural classes are impoverished manufacturers cannot prosper.—Losses of the farmers from falling prices.—Bimetallism can alone restore prosperity to our agricultural classes.—Hence no protective tariff can bring real prosperity to manufacturers until Bimetallism is restored.—Protection and the gold standard incompatible.

Our manufacturers are, with but few exceptions, supporters of the Protective System. Some, it is true, caring little for the interests of others, and incapable of seeing that their own profits are dependent on the prosperity of their customers,—that the interests of all classes are intertwined, give their support to the Protective System only so far as it directly protects their own interests from foreign competition, and prompted by short-sighted selfishness, while strenuously demanding protection for their own industries, give but faint-hearted support to protection in general. But there are other manufacturers who advocate protection not from narrow or selfish motives, but on the broad ground that a true protective system frees our people, both as producers and consumers, from dependence on foreign powers. As long as we are in dependence on foreign powers for the disposal of our surplus agricultural products and unprepared to fill our own demands for manufactured goods, our people are at the mercy of foreign traders.

The Aim of True Protectionists.

We advocate protection because we see that any people who are incapable of consuming that which they produce and unprepared to produce that which they need, must seek abroad a market in which to sell, as well as a market in which to buy, and when a people is in this dependent position they must remain in the power of foreign traders, who can fix low prices when they buy and charge monopoly prices when they sell, for they have in truth a monopoly of the market. Competition of new industries with old and well-established industries being at first very unequal, without the fostering care of a protective tariff it would have been next to impossible for us to establish manufactures, develop our natural resources, thus create a home market for the surplus products of the farm, and put ourselves in a position of independence of foreign powers—an independence much undermined of late by the subtle workings of the appreciation of gold. So long as our farmers must seek the British trader for the disposal of the surplus product of their grain, and the planters for the sale of their cotton, just so long is the British merchant in position to say, You must accept the price I offer or keep your produce unsold—hence, in position to dictate the price of cotton and grain, not only in England but in America, for the price received for the surplus sold abroad fixes the price of the whole, and so, also, so long as we are unable to fill our wants at home, the foreign monopolist is in position to say, Pay my price or go without, and so is able to command his price.

Only by building up home industries, supplying ourselves with what we need and consuming at home the produce of our own farms can we free ourselves from the grasp of foreign monopolists and avoid the payment of tribute to foreigners on all that we sell no less than on what we buy, and only by bringing producer and consumer together can we avoid transportation charges and ocean freights which, when we buy and sell abroad, rest as a tax on our producers in the form of lessened proceeds for what we sell, and as a tax on our consumers in the form of higher prices for what we buy, for the costs of freight and commissions

must be deducted from the price we receive for our products and added to the price of what we buy. It is to overcome the artificial advantages given to long-established industries in older countries by the command of unlimited resources and cheaper labor in competition with our comparatively nascent industries; to place our enterprising producers on an equal footing in what would otherwise be an unequal struggle with their firmly-established and older competitors, thus aid the development of our resources, place consumer and producer side by side, and put our people in a position where they are no longer dependent on foreign monopolists for what they buy and for a market for what they sell, that the protective system has been maintained.

The Gold Standard Undermines the Protective System.

But ardent as are most of our manufacturers in support of protection, many give their firm but unthinking support to the policy of gold-monometallism, a policy that is not only incompatible with but subtly destroys the protective system.

Those who support the protective system aim to bring producer and consumer together and free us from dependence on those who, when producer and consumer are separated, are in a position to monopolize both the market in which we sell and the market in which we buy, thus unduly taxing the producer on the one side and the consumer on the other; but in giving their support to gold-monometallism they bring about the very condition it is their constant endeavor to prevent by protection. Our adherence to the single gold standard causes gold to appreciate and prices to fall, with the result that money yields a greater profit when not employed at all than when invested in commodities that are ever falling in price. Consequently, as money appreciates it is no longer attracted to the products of industry, and our people as producers can only find a market for their products by making great sacrifices, and as consumers, no longer able to exchange that which they produce for that which they need at their own doors, but necessitated to look to more and more distant markets for what they buy, they pay proportion-

ately much higher prices for what they buy than they receive for what they sell.

Manufacturers can not earn fair profits during periods of falling prices caused by the appreciation of money. Even when prices fall consequently upon improved methods of production, manufacturers and the wage-earners are shorn of the additional profits they looked forward to as the reward of their industry in perfecting improved methods of production. But when prices fall by the rapid appreciation of gold, profit is impossible, for all manufacturers must carry some fixed charges that call for the same number of dollars whether prices are low or high, and then, too, wages cannot be reduced as rapidly or as fast as wholesale prices, which are the first to fall as a result of appreciating money, and at which manufacturers must dispose of their products. Only by combining in trusts, restricting production and thus maintaining prices can manufacturers hope to make any profits in the face of an appreciating standard of value.

Protection and gold-monometallism are opposite policies, conducive of different ends, yet there are some well-meaning protectionists who support the protective system as a weapon to use against foreign monopolies while blindly giving their support to gold-monometallism, and thus place themselves and all other producers, both in their capacity of consumers and producers, in dependence on the owners of money. Gold-monometallism places us in abject dependence on the traders in money—a dependence from which the protective system cannot free us.

Fosters Disastrous Competition with Silver-using Peoples.

But the appreciation of gold is working a more visible injury on our manufacturing industries. We refer not to the impoverishment of the farming classes resulting in an ever lessening ability to purchase manufactured articles, an impoverishment caused by the necessity of selling agricultural products at lower and lower prices to meet the competition of silver-using countries, a fall in prices necessitating a constantly-increasing sacrifice of agricultural products to meet taxes, rent and interest, which do

not fall at all, and wages, which have not fallen as fast as silver, but to the direct competition of silver-using countries in manufactured goods. Silver-using countries selling to us for gold, which buys twice as much silver as before the demonetization of silver, and which silver has not lost any of its purchasing power in silver-using countries, puts the people of those countries in a position where they can sell to us for just one-half the former prices, without reducing at all the prices which they receive in silver, and which is worth as much to them as ever. As a result, the difference between the fall in silver compared to gold, and of prices in gold-using countries, is just so much bounty on exports to gold-using countries,—a bounty of which the silver-using peoples are rapidly taking advantage. By demonetizing silver and causing silver to depreciate, gold-using peoples have deliberately excluded their products from silver-using countries and invited foreign competition by offering a bounty on all imports from such countries in the shape of a premium on gold. Protectionists who support gold-monometallism are in the anomalous position of demanding the imposition of duties to discourage imports, while encouraging imports by offering a bounty on the import of the very articles they aim to exclude by a protective tariff.

Under gold monometallism protection can be but a mere sham.

Asiatic Competition.

As the Japanese and Chinese learn to use European and American machinery, and as they learn by experience to economize in production, adopting the improved methods of production, and profiting from the experience of western civilization, they are naturally enabled to reduce the cost of production, but aside from any cheapening of production, the producer in Japan or China, or other silver-using nation, can sell in America, or England, or Germany, or any gold-using nation, for just one-half the price in gold that he could before the parity between silver and gold was destroyed by demonetizing silver, without reducing his profit one jot.

The Chinese tael, based on silver, and the Japanese silver yen go just as far as ever, will buy as much labor, pay for the production of as much cotton, or yarn, or cotton cloth, as ever. With the tael, worth 81 cents in gold, or the yen, worth 50 cents, the Chinese or Japanese manufacturer can produce as much as when the tael was worth $1.61 in gold, and the yen $1.00, and even more, because of the use of improved machinery, but with the gold received in gold-using countries for what he sells to such countries, he can buy exchange for twice as many taels or twice as many yens as he could when silver had not commenced to depreciate as measured by gold. Thus he is enabled to sell at half price in gold.

Impossibility of Meeting this Competition.

To keep our markets, our manufacturers must meet this. But meet it they cannot. Try as they will, they cannot cheapen production so as to enable them to do so. They may improve machinery and economize in production, but their silver competitors will promptly avail of the same improved machinery and the same economies in production. In this way our manufacturers can gain no advantage over their Asiatic competitors. Just so far as silver has fallen as measured by gold, our manufacturers must reduce prices, or the difference will result as a bounty on imports, and lead to the import and sale of Chinese and Japanese goods in place of those of home manufacture.

Under gold monometallism, the necessity of meeting competition with silver-using peoples, fostered by a bounty of 100 per cent. in the shape of a premium on gold, cannot be avoided, but for our manufacturers to meet this competition successfully is impossible. All manufacturers, whether debtors in their individual capacity or not, have their share of fixed charges, charges calling for a fixed number of dollars, to bear. Each must bear a portion of the national and state and municipal indebtedness that becomes more burdensome as gold appreciates. Taxes to meet interest on this debt, taxes that cannot be reduced, he must pay, whether profits are large or none, whether commo-

dities are high or low. If he is indebted individually, as most of them are, he is just that much worse off.

Taxes, and interest, and rents, he cannot reduce, nor can he reduce his largest item of outlay, wages, in anything like proportion to the depreciation of silver as measured by gold. Attempts to cut wages must lead to strikes and lockouts, for the wage-earner cannot but resist such reductions. He buys at retail, and the butcher's and baker's and grocer's prices do not fall with wholesale prices, as is only natural, but much later, and then not so far. The result is, cuts in wages mean, to the wage-earner, a lower standard of living, such as alone the cravings of hunger for himself and family will force him to accept. And, if driven by hunger and suffering, the laborer loses hope and incentive, and he is no longer capable of the same effort, or of performing the same amount of work, as when he labors hopefully and ambitiously. For the manufacturer to cut wages in like degree with the fall in prices is impossible, and in attempting to do so he must destroy the superiority of his workmen.

To compete with Asiatic competition, fostered by the premium on gold, a bounty that we, ourselves, blindly pay to exporters in silver using countries, is already ruinous. It must soon become impossible.

Gold prices have not fallen so far as the gold price of silver. The difference acts as a bounty on exports from silver-using to gold-using nations.

How the Appreciation of Gold Builds Up Chinese Industries.

What we look upon as a fall in the price of silver, the Chinaman looks upon as an appreciation of gold. And this is only natural, for, to the Chinaman, the value of the tael, which is based on silver, has not declined with the depreciation in the gold value of silver, and with the tael (Haikwan) which to-day is worth but 81 cents in gold the Chinaman can purchase as great a quantity of Chinese staple commodities in general as he could with the same tael in 1873–4 when it was worth $1.61 in gold.

To the Chinaman, the tael, worth to-day but 81 cents in gold, is worth just as much as the tael worth $1.61 in gold in 1873–4, and he is willing to part with just as much of his labor and of the products of his labor for the tael to-day as he was for the tael worth nearly twice as much in gold twenty-three years ago.

The Chinaman looks upon his standard of value as fixed and invariable, just as we are prone to regard gold as an unchangeable measure of value, and while we speak of silver as worth but half as much as it was in 1873, the Chinaman regards gold as worth twice as much. Consequently the Chinaman is willing to pay only half as much in gold for goods of British and American manufacture as he was in 1873. Anything over half the price asked for articles of European and American manufacture by the British or other merchant, he regards, and rightly, as an increase of price. The tael costing the Chinaman just as much exertion to obtain as ever, he naturally hesitates to pay the enhanced price, and as the cost of the materials for manufacture in China is the same as ever, and the cost of labor no greater, he is attracted by the enhanced price, holding out to him the prospect of large profit, to enter into the manufacture for himself of the goods he has been in the habit of buying from abroad.

The cost of manufacturing in gold standard countries, in England, in Germany, in America, has not fallen equally with the fall in the gold price of silver, and consequently manufacturers, although asking considerably less in gold for what they send to China for sale, are obliged to ask more in silver. And this enhancement of price acts as a protective tariff, an iron-bound automatic protective tariff around all silver-using countries against gold-using countries. As we have said our manufacturers, like the manufacturers in all gold-using countries, have to provide for the payment of certain fixed charges, of rents, taxes, interest, for the satisfaction of which they must part with a greater and greater quantity of produce as prices fall. Then, too, any attempt on the part of manufacturers in gold-using countries to cheapen production by reducing wages is strenuously and properly resisted by the wage-earners, for, as retail prices, at which the

earner spends his wages, are the last to fall, any reduction in wages at all commensurate with the fall in wholesale prices means a lower plane of living and increased hardship, if not actual suffering.

For these reasons manufacturers in gold-using countries have found it absolutely impossible to reduce prices proportionately with the fall in silver. To some extent, indeed, they have reduced gold prices; but, to realize a pound sterling, they are obliged to sell goods in China to the value of six taels, where they had to sell goods of the value of but three taels in 1873. And six taels, or even four and a half taels, the Chinaman will not pay. So he has taken to manufacturing for himself, encouraged by the protection that the gold standard countries, by their suicidal policy in discarding silver, have held out to him. Under the disadvantages imposed by the gold standard, the white man is finding it more and more difficult to successfully compete with the yellow man and the white dollar.

A Warning to Manufacturers.

We are told that this competition is mythical and of the dim future. It is not so. It is of the present, and we have already to meet it. Of serious import to all gold-using countries are the warnings contained in the following quotation from the annual report, January 27th, 1896, of the Shanghai Branch of the China Association, composed of the leading British merchants of Shanghai:

"No doubt can possibly exist as to the importance to Great Britain of the course of events in the far East generally and China in particular, of the next two or three years, The entire aspect of affairs changes with startling rapidity; . . . China and Japan, from being consumers of British manufactures, have within the last few years, consequent upon the enormous advantages conferred upon them by the efforts of Europe and America to sustain gold monometallism, been converted into manufacturing nations with illimitable millions of skillful operatives, which the continuance, for a few years only, of the bonus springing from the divergences between the moneys of the East and the West, will develop speedily into the most prolific productive and manufacturing competition ever known to the world. The conditions of trade are changing to such an extent that the

next revision of the tariff in China will certainly tend to the protection of native industries, newly born, and the exclusion of foreign competitive productions. Nor will British merchants in China oppose a revision of the tariff calculated to benefit themselves by excluding even the products of their own country from competition with manufactures produced on the spot by themselves. The evil formerly deplored—the appreciation of gold—has been turned to their own advantage, and British residents in China now find their best interests bound up with a continuution of the lowest gold price that silver has attained. They realize the fact that their efforts to preserve to Great Britain the large and steadily expanding trade, the result of half a century's labor, bid fair to be frustrated; and they see that in the near future the interests of West and East must surely, if slowly, diverge until they become entirely distinct. . . . One of the worst misfortunes that could befall the new British interests in China is a material improvement in the gold price of silver; while, the only hope of the British manufacturer is in that improvement.

"When the Japanese Government stipulated for the withdrawal of all restrictions upon the importation of machinery and the establishment of manufactures, four companies under foreign control were organized in Shanghai alone, in a few weeks, with capital, aggregating 3,800,000 taels, or £570,000 sterling, while a much larger sum has been invested in purely Chinese undertakings of the same class, with many more in contemplation in various parts of China, and Japanese capital is flowing in for investment in the same industries; and as the success of these undertakings is demonstrated others will come to the front. The danger to these new industries is depreciation of gold. Should silver rise in gold terms foreign competition will be easier and more certain; there will be severe struggles and numerous fluctuations; but industries of this character, once established, cannot be destroyed; eventually, they must be victorious. Those acquainted with the Chinese character are satisfied that an industry once securely founded amongst them, neither European, Indian nor Japanese competition can compel them to abandon their undertaking; and how much stronger is the Chinese position when it is known that British capital is bound up with that of native manufacturers in China.

"British manufacturers, merchants and shipowners will discover that China, within the past few years one of their most important markets, can supply to a large and ever increasing extent her own requirements for cotton goods produced by factories in which large sums of English capital are invested; in addition to which the government, in want of money, will seize the opportunity to levy increased import duties, which will really become retaliative duties upon imported foreign competitive manufactures for the protection of native industry. With the loss of extensive markets for their manufactures, of the transactions which maintain the merchant or middle-

man, and of the vast carrying trade involved, all those in Great Britain concerned will then grasp the certainty that their correspondents and representatives in China, having acquired new interests, have withdrawn their allegiance to the old ; and instead of endeavoring to co-operate with their own people, have resolved to look henceforth to their own benefit only, and to resist all attempts which may have a tendency to circumscribe the development of native industry in the success of which their own interests are so completely identified.

"The danger to China and Japan—that is, to their newly-born and growing industrial development—is the reversion of Western nations to bimetallism. The early restoration of silver would deal a severe blow at Oriental enterprise ; but only for a time. The manufacturing industries now established may receive temporary check ; temporary only because their permanence is assured ; and the extensive Chinese market will in the near future be supplied by the product of the labor of the vast agricultural and operative population of the Empire. Within very few years the Chinese markets for English cotton goods will be supplied wholly by native works, to be followed in no long space of time by an invasion of the markets of Europe and America by the products of cheap labor which nothing short of absolute prohibition of importation can prevent.

One after another of our industrial establishments will be closed by Asiatic competition and its counterpart arise in Japan and China under the direction of Yankee or English enterprise, unless we restore silver to its place as money and destroy the bounty on imports which we hold out to the Japanese and Chinese manufacturer in the shape of a premium on gold exchange. While the Asiatics manufacture for silver but sell for gold the difference between the price of silver and gold is their profit, and so long as they have this bounty in their favor we may expect to see Japan and silver-using countries grow at the expense of the gold-using countries.

Will American manufacturers take heed of these warnings before it is too late?

Blind adherence to the gold standard is then enabling the Japanese and Chinese to undersell us in our own markets. But it is not in this alone that we suffer from the divergence in the value of gold and silver, and it is not the bonus we pay exporters in silver-using countries that is alone undermining, and must undermine and counteract, any tariff that we vainly try to make protective under gold-monometallism.

Protecting Our Competitors.

The same difference between the gold price of silver and the price of commodities in America and England and Germany and other gold-using countries acts as a protective wall around the silver-using world. Manufacturers here or in England or Germany, sending their goods to silver-using countries, ask gold in payment. This gold costs the people in such countries just twice as much to get as before the demonetization of silver, and unless the goods are offered to them at half price, the price asked represents an enhanced value to them. Manufacturers in gold-using countries cannot reduce the price of their goods in any such proportion, for reasons already given. The result is that the price of European or American goods has been enhanced in China and Japan, although our manufacturers sell for much less in gold than formerly. The price to the Chinese and Japanese is not enhanced 100 per cent., which about represents the appreciation of gold in their money, for the gold prices our manufacturers ask are somewhat less than heretofore. But whether the price is enhanced forty or fifty per cent., it is just so much protection. It drives the Japanese and Chinese to make for themselves what they can not, at the enhanced prices, afford to buy abroad. The result is that European and American goods are being crowded, not alone out of China and Japan, not alone out of India, despite the efforts of England and the closing of the Indian mints, but out of all silver-using nations. The markets of silver-using nations being closed against British and German manufactures, the pressure to sell goods of European manufacture in America is much greater than it would otherwise be.

Strength of Great Britain's Position.

It will be urged that this cannot last forever; that Great Britain will curtail her production; that she will not sell at a loss. But the position of Great Britain, bad as it is, is not so bad as at first appears. She receives in payment for what she sells to us products that have fallen 50 per cent. in the last few years, or in

gold that has doubled in value. Selling her products at half price she practically receives as much as ever in payment. She sells us to-day for $500 the same number of yards, the same quality of cotton or woolen goods, that she sold for $1000 some ten years since. But she receives in payment about 7,000 pounds of cotton or 700 bushels of wheat. She received practically no more for the goods when she sold them for $1,000 some ten years ago. And if we send her gold in payment we send her gold that has doubled in purchasing power. The $500 is really the equivalent of the $1,000 she received before the extortionate fall in prices. In a word, Great Britain can afford to sell cheaper than formerly, and she is forced to sell cheaper than she can afford.

Besides the losses of the British are in part compensated by the increased value of debts. The importance of this cannot be overestimated. The imports of Great Britain for 1895 (excusive of re-exports) amounted to £356,716,867; her exports to £226,169,174. Here is an adverse trade balance of £130,547,693, and this is not an unusual one. In the face of this she imported £14,736,715 in gold. Thus England in one year received about $700,000,000 as payment for interest and in settlement of securities sold by British investors. The increased value of this immense sum partly compensates England for the loss of her producers.

America is a sufferer in a special and double sense. The value of our products has decreased, while the burden of our debts has increased.

To say that there has been no great increase of imports does not answer the fact that the European competition for our market has been doubled, that goods are offered by foreigners at ruinously low prices. It only shows the impoverishment of our people.

Thus it is that the gold standard leads to the exclusion from silver standard countries of manufactured goods from America and other gold standard countries, and engenders ruinous competition for our workers, not alone with Chinese and Japanese, but with European manufacturers as well.

Impoverishment of Our Farmers.

But this is not all. Seeking a market for their produce in England and Germany, our farmers are obliged to sell their wheat in competition with Indian wheat raised on a silver, and with Argentinian and Russian wheat raised on a paper basis, while our planters have to compete with Indian cotton. Our competitors for the markets of England have been enabled, because of the appreciation of gold, to cut the price they ask for their wheat and cotton in half without reducing the amount of silver which they receive in payment. To meet this competition our farmers and planters have been forced to accept lower and lower prices, as the gold price of silver has fallen. Unlike their competitors, who are recompensed for the lower gold prices they receive by the premium in their currency of the gold they receive in payment, our planters and farmers raising wheat and cotton on a gold basis, paying taxes and interest and other fixed charges in gold, and finding that the much smaller amount in gold which they receive and spend on a gold basis goes but little farther than heretofore in paying the cost of producing cotton and wheat and other produce, have been impoverished and ruined, and are absolutely unable to buy manufactured goods liberally as heretofore.

Thus the gold standard destroys the home market for our manufactures. We must make the farmers prosperous before they can buy liberally of manufactured goods, and they cannot become prosperous while forced to sell their produce in competition with silver-using peoples and handicapped by the appreciating gold standard.

Until bimetallism is restored and the unfair advantage which the appreciation of gold has conferred on the silver-using peoples in competition with the gold-using is destroyed, no tariff can be made protective. To endeavor to make a tariff protective under gold-monometallism is folly.

Yet the gold organs of the Republican party and many manufacturers are prone to speak of higher tariff duties as if the only thing needed to bring better times and continued prosperity

is the exclusion from our markets of goods of foreign manufacture, protection against foreign competion and the preservation of our home market to our manufacturers. But protection against foreign competition will not, of itself, bring renewed and continued prosperity to our manufacturers. Our manufacturers suffer from foreign competition—competition that is being stimulated with European as well as Asiatic countries by the divergence in the value of gold and silver—but they suffer even more from a narrowed home market. If the home market was sufficient to readily absorb the product of our mills and factories running to their full capacity, then the preservation of our home market would bring prosperity to our manufacturers. But so long as our agricultural classes are impoverished, so long as they can spare but little for manufactured goods, the market for manufactures will be restricted and our manufacturers cannot prosper.

The Result of Competition with Silver-using Peoples.

It is the ruinous competition with the producers of silver-using countries for the European markets that is impoverishing our agricultural classes. This competition has been built up by the divergence in the value of gold and silver, and to meet it, our agricultural classes have been obliged to cut prices in half. Just as silver has fallen, as measured by gold, our farming classes have been obliged to cut prices, under pain of losing the European markets, for the ounce of silver has not lost any of its value to their silver-using competitors, who have, during the past twenty years, ever been willing to take the same ounce of silver for approximately the same quantity of wheat or cotton, asking no more silver year after year, though silver has gradually depreciated since 1873, as measured by gold, until to-day it is worth but little more than half as much in gold as it was in 1873.

Thus, as silver has fallen, prices of agricultural products have fallen; our agricultural classes have become more and more impoverished and their labor less and less remunerative; for with the fall in prices, there has been no corresponding reduction in the labor-cost of production. The same amount of labor suffices

to produce very little, if any, more wheat, or corn, or cotton, to-day than twenty years ago. Consequently, as prices have fallen, our farmers have had less and less to spend for manufactured goods, and the market for such goods has been correspondingly restricted.

Our Farmers and Protection.

Our farmers have been benefited in the past by the protective tariff in that it has fostered the building up of local centers of industry, brought farmer and manufacturer closer together, enlarged the home market (always the best market) for agricultural products, and freed the farmer from dependence for manufactured goods on foreign manufacturers. The further any producer is from the market for his products, the more completely is he at the mercy of the trading classes, and the smaller the price he receives for his produce compared to the price actually paid by the consumer; for the further producer and consumer are separated, the larger is that portion of the value of the product absorbed by shippers, transportation companies, speculators and various middlemen. Thus the further the farmer is separated from the market for his products, the smaller, relatively to the price paid by the consumer, must be the price he receives for his products, and the higher the price he pays for the manufactured goods he consumes. Taxed as a producer by having to sell at lower prices, and as a consumer by having to buy at higher prices, his labor becomes less remunerative, the further he is separated from his market. Consequently, the protective system, by fostering the development of domestic industries and thus bringing farmer and manufacturer together, has benefited the farmer by tending to free him from dependence on a foreign market, both as a producer and consumer.

But protection alone will not bring prosperity to our farmers so long as we persist in the policy of gold mono-metallism. An appreciating dollar, causing lower and constantly falling prices, leads to the centering of money in the financial centres and tends to separate producer from consumer. In this way the gold

standard undermines the benefits the farmer should derive from protection. Moreover, the divergence in the value of gold and silver, caused by demonetizing silver, has built up competition with silver-using peoples for the European markets that has impoverished our farmers.

Bimetallism the Only Real Protection.

And against this artificially-stimulated competition there is only one protection. We must remove the artificial cause which has led to the premium on gold as measured by silver, and this can be done only by returning to bimetallism. Under the gold standard, and while forced to compete with the products of silver-using countries, our farmers cannot prosper, and so long as our agricultural classes are impoverished our manufacturers cannot prosper. The less our farmers receive for their produce the less will they have with which to purchase manufactured goods, and consequently the narrower will be the market for such goods and the lower prices.

To what extent our farmers have been impoverished by the fall in prices is indicated in part by the following table, prepared from reports of the Department of Agriculture, and showing the acreage, production, and value of our cereal crops for 1872, the year before the demonetization of silver, and for 1895.

Estimate Acreage, Production and Value of the Cereal Crops of the United States.

	1872.			1895.		
	Area of Crop Acres	Production Bushels	Value of Crop Dollars.*	Area of Crop Acres.	Production Bushels.	Value of Crop Dollars.
Corn	35,526,836	1,092,719,000	$435,149,290	82,075,830	2,151,138,580	$567,509,106
Wheat	20,858,359	249,997,100	310,180,375	34,047,332	467,102,947	237,938,998
Oats	9,000,769	271,747,000	91,315,710	27,878,406	824,443,537	163,655,068
Barley	1,397,082	26,846,400	19,837,773	3,299,973	87,072,744	29,312,413
Rye	1,048,654	14,888,600	11,363,693	1,890,345	27,210,070	11,964,826
Buckwheat .	448,497	8,133,500	6,747,618	763,277	15,341,399	6,936,525
	68,280,197	1,664,331,600	$874,594,459	149,955,163	3,572,309,277	$1,017,316,936

It will be noted how the acreage brought under tillage has been increased, how production has been more than doubled,

* Gold.

yet how the increase in value has been comparatively slight. Our farmers tilled and harvested 2 1-5 acres of cereals in 1895 where they harvested one in 1872, but while the expenditure in labor was more than doubled in raising cereals, while the acreage harvested was 120 per cent. greater in 1895 than in 1872, the farmers who spent more than twice as much labor, and raised more than double the quantity of grain, received but $1.16 in 1895 to every $1.00 in 1872. The value of the yield per acre was $12.81 in 1872. It was but $6.78 in 1895.

It may be said that this is not a fair comparison, as the price of corn last year, owing to the bounteous crop, was very low. But the corn crop in 1872 was even more bounteous than the crop in 1895, the yield of corn per acre in 1872 being 30.8 bushels, last year but 26.2. In fact the 1872 harvest was more bountiful than the 1895 harvest, which fact, other things being equal, would have tended to make prices lower in 1872 than in 1895.

For every acre tilled and planted with cereal crops last year our farmers received $6.03 less than they did for every acre tilled in 1872. If their labor had been as remunerative in 1895 as it was in 1872 they would have received $900,000,000 more than they did, and would have had this much more to spend, making a broader market for manufactured goods. Further, it must be remembered that our cereal crops comprise in value only about one-half of our agricultural products, and that the losses to the grower of cotton and other produce have been equally great with the losses of the grower of cereals.

The value of cereals raised in 1890, on a smaller acreage, was about $1,350,000,000, or nearly $350,000,000 more than in 1895. This much less did the growers of cereals have to spend in 1895 than in 1890, and here in great measure is the explanation of the unsatisfactory market and lower prices for manufactured goods.

Short-Sighted Protectionists.

Granting that it would be possible in the face of the premium on gold to protect our manufacturers against foreign com-

petition and preserve the home market by higher tariff duties, it is clear this would not of itself bring the long-sought-for return of prosperity to manufacturers. We are told that higher duties would lead to higher prices and increased production, thus bringing better times to manufacturers. But until we broaden the market, any increase of production must lead to lower prices. Receiving nearly $350,000,000 less for their cereal crops in 1895 than in 1890, and less for their other produce in like proportion, it is evident that our farmers have less to spend than they had in 1890, and it is clear either their purchases of manufactured goods must be curtailed, or prices must fall so that the smaller amount of money will buy the same amount of goods. Our farmers cannot spend more than they receive for their products, and until they receive better prices for their products the market for manufactured goods will be restricted. Consequently the preservation of such a market to our manufacturers, even if it could be done by higher tariff duties in the face of the premium on gold, which acts as a bounty on all exports from silver-using to gold-using countries, would not bring them real prosperity.

The manufacturer who overlooks the importance to his interests of building up a home market, and restoring prosperity to the farming classes, is a short-sighted protectionist indeed.

A Protective Tariff and the Gold Standard Incompatible.

To sum up, under the appreciating gold standard no tariff can be made protective and no tariff can bring prosperity, because:

1. Prices being dependent on the quantity of money in circulation as compared to the work to be done by money, the demonetization of silver, curtailing the supply of money while with the growth of population the demand for money has steadily increased, has led to an appreciation of gold and proportionate fall of prices. Falling prices being destructive of the profits of industry, investments in productive industries have as a result been curtailed, especially as money, so long as prices are falling, grows in value in idleness. Thus money has shunned

the producer, shunned investment in the products of labor and productive industries. Consequently local centers of distribution have declined, while the financial centers have grown, and as money has been irresistibly attracted from the small town to the financial centers, producers and consumers have been separated, and thus the great aim of a protective tariff to bring producer and consumer together so that man can profit from association with, and the help in production of his fellow-man, has been defeated by the appreciating gold standard.

2. As silver prices in silver-using countries have not risen with the fall in the price of silver, as measured by gold, and the silver cost of production not having increased in such countries with the fall in the gold price of silver, producers in silver-using countries can afford to sell their products to gold-using countries for a smaller amount of gold than they could before silver was demonetized, equivalent to the divergence in the value of gold and silver. Thus, to-day, gold having appreciated, as measured by silver, nearly one hundred per cent., silver-using peoples can sell their products in our markets for one-half the price in gold that they asked twenty years ago, without reducing the amount of silver which they receive in payment, and which silver, producing in silver-using countries as much as ever, is worth just as much to them as ever it was. Consequently the divergence in the value of gold and silver consequent on the demonetization of silver gives to silver-using peoples a bounty equal to one hundred per cent. on exports to gold-using countries. Against Oriental competition, encouraged by this bounty, our customs duties will be no barrier, for it is evident that even an iron-bound tariff of one hundred per cent. would be nullified as a protective measure by the bounty held out to silver-using peoples in the shape of a premium on gold. Thus the divergence in the value of gold and silver will break down a tariff intended for protection against competition with silver-using peoples.

3. This same divergence in the value of gold and silver that stimulates imports from silver-using countries acts as a protective tariff round all silver-using countries against gold-using countries. The result of this is that the silver-using markets being

closed against goods of British and German manufacture, the surplus products that heretofore found a market in silver-using countries are thrown back on the European, and an outlet sought in our markets. Consequently a tariff that under bimetallism might be amply protective against goods of British and German manufacture proves insufficient under the appreciating gold standard.

4. Our surplus agricultural products being sold in the European markets, and coming there into competition with the products of silver-using countries, the growth and export of which is fostered by the premium on gold, prices have been more than cut in half and our farmers and planters have been impoverished. Being thus impoverished they are obliged to restrict their purchases of manufactured goods and their impoverishment is intimately felt by manufacturers. No tariff will avail to restore prosperity to the manufacturers unless at the same time prosperity is restored to the farmers, and the restoration of prosperity to the farmers is dependent on the restoration of bimetallism.

CHAPTER XIII.

The Farmer's Interest in Bimetallism.

The low price of wheat impoverishes the farmer, but he cannot better his condition by turning his hand to something else.—Prices of all agricultural products greatly depressed and agricultural labor equally unremunerative in all directions.—Overproduction does not account for the fall in prices.—Mouths to be fed have increased faster than food production.—Ruinous competition with silver-using countries the cause.—Marked falling off in our wheat acreage.—The farmer and his live stock.—Losses from depreciation in the value of live stock.—Of all other farm products.—General prosperity dependent on agricultural prosperity.—Bounty enjoyed by our Indian, Argentinian and Russian competitors.—Enables them to undersell our farmers and still prosper.—Bimetallism can alone put our farmers on an equal footing with their competitors.—Chinese competition in cotton.—The farmer must protect his own interests by political action.

VERY often when the farmer complains of the low price received for wheat he is told the cause lies in overproduction, and that the remedy is in his own hands. He is told that he and his fellow-farmers have unwisely increased the production of wheat so that the supply has increased faster than the demand, resulting in overproduction; that he has himself alone to blame for the fall in price; that the low price he receives for his wheat is of his own making, and that he must produce less wheat and more of something else.

If the gold-monometallists would accompany this advice so gratuitously given, to produce less wheat and more of something else, by indicating what this something else is, and by pointing out in what branch of agriculture the farmers who now find no profit in raising wheat could turn their hands with profit, the farmers would give them a respectful hearing. The fact is, that unprofitable as the farmer finds raising wheat, raising corn and cotton at present low prices does not yield any greater profit, and there is no branch of agriculture to which our farmers can turn with any prospect of getting better returns.

It is true, the planters might, with advantage, grow more corn, so as to feed the labor employed in raising the cotton off their own plantations, instead of buying corn raised in the fields of the central West, but they would find it as unprofitable to raise corn for sale and shipment at present low prices as they

find the raising of cotton. The Western farmer finds his fields of wheat bring him little or no return. Often, indeed, he finds himself worse off after marketing the crop than he was before planting the seed, all his labor having gone for naught, and in some extreme cases the price not being sufficient to pay the cost of harvesting and marketing, the wheat has been allowed to rot or burned where grown. It is indisputable that the fields planted with wheat, on farms distant from market, yield the farmer little or no reward at present low prices; that the very crop he raises impoverishes him, and that his very labor seems to lead to ruin.

Adding Insult to Injury.

To tell this farmer that the ruinously low prices for wheat are of his own making; that too much wheat is being produced, and that he must turn his hand to raising some other crop, even while he sees his neighbors, who have spent their labor in a different direction, raising corn or oats, equally impoverished, or perhaps, even burning their crops as, indeed, has been the case on fields distant from market, is to the impoverished farmer bitter sarcasm.

The farmer is told there has been an overproduction of wheat as evidenced by falling prices. He is told the cause of lower prices for corn, for oats, for other cereals is to found in overproduction, just as the planter is told overproduction is the cause of lower prices for cotton. Yet, on top of this, he is told he must produce less wheat and more of something else. But more of what? If falling prices are an evidence of overproduction, there has been an overproduction of everything, an overproduction of corn and other cereals, just as there has been of wheat. And if such is the case, what is to be gained by the farmer raising less wheat and more corn or oats or rye, producing less wheat, of which we are told there is an over-supply, and producing more corn or oats or rye, with which we are told the market is already over-stocked? Surely nothing would be gained. What was gained by higher prices for wheat would be lost in lower prices for other produce.

The Theory of Overproduction is a Myth.

But the theory of overproduction advanced to account for the fall in prices is a myth. The acreage brought under tillage by our agricultural classes has, it is true, been increased; more wheat, more corn, more oats, a greater quantity of farm products in general are raised to-day than twenty-three to twenty-four years ago. Production has increased, but not faster, indeed not so fast, as the number of mouths to be fed. Since 1872 the population of the United States has increased 75 per cent. There are 175 mouths to be fed to-day where there were 100 in 1872, and as 175 people consume more food than 100, it is only natural we should have increased the acreage brought under tillage and raised more wheat and corn, etc., from year to year, as population grew. Deducting from the production of wheat in the early seventies the quantity of wheat exported, and from the production of the past few years the quantity exported, we find that there has been actually less wheat available for domestic consumption during the past few years than in the early seventies. The mouths to be fed have increased faster than the quantity of wheat, and this is so the world over.

Why the Price of Wheat Has Fallen.

Consequently there is no foundation for the assumption that the fall in the price of wheat is due to overproduction. It is due simply to the fact that as silver has fallen as measured by gold the area from which western Europe can draw the wheat to fill the annual deficits in her own crops has been broadened, for the premium on gold in silver-using countries, and those countries on a paper basis, has made it possible for wheat-growers who, under old conditions, and when not favored by this premium on gold, which amounts to a bounty, found it impossible to compete in the European markets with our wheat-growers—to compete successfully.

This has been especially marked during the past few years, consequent on the more rapid fall in silver, and as the bounty on exports from silver-using and paper-using to gold-using

countries rose with the fall in the gold price of silver. During the last five years our farmers have been unable to hold their own in the European markets. The result is shown by a marked increase in the wheat acreage of Argentine, and in the wheat area of other favored competitors, and a falling off in our own wheat acreage. The following table shows how the wheat acreage in the United States has fallen off:

	Acres.		Acres.
1888 . . .	37,336,138	1892 . . .	38,554,430
1889 . . .	38,123,859	1893 . . .	34,629,418
1890 . . .	36,087,154	1894 . . .	34,882,436
1891 . . .	39,916,897	1895 . . .	34,047,332

All cereals have fallen greatly in price since the demonetization of silver (see page 131), and hence the farmer cannot better his condition by turning his hand from raising wheat, which is unprofitable, to raising some other cereal, which at present prices would be equally unprofitable. Cereal crops representing in value fifty per cent. of our agricultural products, cotton and other products peculiar to the South included, to what can the farmer turn his hand with advantage? Can he spend his energies in raising live stock with better advantage than in raising cereals? Let us see.

Unfortunately farm animals prove no exception to the rule of falling prices. A glance at the following table, compiled from the reports of the Agricultural Department, will make this clear:

Estimated Number and Value of Farm Animals in the United States.

	January 1, 1873.		January 1, 1896.	
	Number.	Value.	Number.	Value.
Horses	9,222,470	$684,463,957	15,124,057	$500,140,186
Mules	1,310,000	124,658,085	2,278,946	103,204,457
Milch cows . . .	10,575,900	314,358,931	16,137,586	263,955,545
Oxen and other cattle	16,413,800	329,298,755	32,085,409	508,928,416
Sheep	33,002,400	97,922,350	38,298,783	65,167,735
Swine	32,632,050	133,729,615	42,842,750	186,529,745
	(103,156,620)	$1,684,431,693	(146,767,531)	$1,627,926,084

Thus we find that 15,124,057 horses on January 1st, 1896, were actually worth $184,000,000 less than 9,222,470 on January 1st, 1873. And so we find that an increase in the number of mules of seventy-four per cent. for January, 1896, over January, 1873, has not led to any increase in value, the total value of mules having actually fallen seventeen per cent. in the face of this marked increase in number. It may be urged that this fall in value is due to a falling off in demand due to a substitution of electric for horse power on street railways, etc., but be this as it may be, it is clear the horse and mule breeder has fared no better than the grower of cereals.

If we look at milch cows and sheep, the same story awaits us. Increase in numbers but a decrease in the total value of the herds and flocks. Thus milch cows increased in number from 10,575,900 to 16,137,586, or fifty-three per cent., but the total value, January 1, 1896, was $50,000,000, or sixteen per cent., less than on January 1, 1873. And so the number of sheep increased sixteen per cent., but the value of the flocks decreased thirty-three per cent. This loss in the value of our flocks of sheep is no doubt due in part to the removal of the duties on wool, but so far as the profits of sheep raising are concerned, it makes little difference as to the relative loss in value due to low tariff and the general cause of the appreciation of gold.

So, too, we remark a marked fall in the price of oxen and other cattle, for although the value of the herds shows a marked increase compared to the value on January 1, 1873, this increase is not at all commensurate with the increase in number. Numbers increased ninety-six per cent., and the total value but fifty-five per cent. Of all the farm animals swine alone show a slight rise in price.

Population Has Increased Faster than Live Stock.

Taking farm animals together, we find that 146,767,531 head were worth January 1, 1896, less than 103,156,620 head of farm animals January 1, 1873. Thus raising live stock is seen to hold out little more profit to the agriculturalist than raising cereals

or cotton. And this fall in prices of farm animals is in no way due to overproduction, for population has increased faster than the number of farm animals.

The population of the United States on January 1, 1873, being estimated at 41,226,000 and on January 1, 1896, at 70,630,000, this makes the following number of farm animals at the different dates to each 1,000 inhabitants :

	January 1, 1873.	January 1, 1896.
Horses, . . .	224	214
Mules, . . .	32	32
Milch cows, . .	257	228
Oxen and other cattle, .	398	454
Sheep, . . .	801	542
Swine, . . .	792	607

Thus, excepting oxen and other cattle, population has increased faster than live stock, while sheep and swine show a marked falling off in number in proportion to the increase of population, which naturally would be expected to result in higher prices. But the appreciation of gold offset this tendency to higher prices save in the case of swine, in which case, together with a marked falling off in numbers in proportion to the increase of population, there has arisen a greatly increased demand for export, which has proven sufficient to offset the effect of the appreciation of gold on prices and lead to a slight rise.

Great Loss in the Money Value of Farm Produce.

If farm animals in general use were worth as much January 1, 1896, as they were January 1, 1873, the total value of live stock would have been $1,000,000,000 or $1,100,000,000 greater than estimated, or $2,600,000,000 or $2,700,000,000 in place of $1,627,926,084. Such is the loss on live stock due in a large measure to the appreciation of gold. Assuming that the value of live stock is turned over once in four years, the income to the farmer on live stock for 1893 would have been about $400,000,-

000. At prices obtained in 1873 it would have been about $650,000,000. Thus the fall in prices has resulted in a decrease of the farmers' income derived from live stock of $250,000,000. This much less had the raiser of live stock to spend in 1895 than he would have had had he received 1873 prices. In 1895 the acreage in the United States devoted to cereal crops was 149,-955,163, and the value of the crop $1,017,316,936, or a yield per acre of the money value of $6.78. In 1872 the value of the yield per acre of all cereal crops was $12.81. Thus our farmers received $6.03 less in 1895 for every acre of cereals harvested than in 1872. Owing to the fall in prices they suffered a loss in the money value of their cereal crops for the year 1895 of over $900,000,000, and the cotton planter realized $350,000,-000 less for his cotton for the year 1894–5 than he would from the same acreage of cotton in 1872–3. Consequently the market for manufactured goods has been proportionately curtailed, leading to lower prices for manufactured goods, smaller profits for manufacturers, curtailed production, shorter hours and lower wages for the employees of mills and factories.

General Prosperity Dependent on Agricultural Prosperity.

When the farming classes are not prosperous, the country cannot be prosperous, for as Secretary Morton truly said some years ago, "Everybody knows that the successful perpetuation of the industrial activities of the American people is based, and possible, only upon an intelligent and fecund agriculture."

When we are not making full use of our resources, agricultural and other, we are wasting absolutely our national wealth, for lost time is never found again. It is wealth lost for ever. The losses suffered by the producing classes are for the most part no one's gain.

We have pointed out that the cause of the disastrous fall in prices is the appreciation of gold and the consequent competition engendered with silver-using peoples. In further proof of the fact that the fall in agricultural prices has been due to competition

with the producers of silver-and paper-using countries in which gold commands a premium, we now present some figures showing the imports of wheat into the United Kingdom that are irrefutable. The following statements are compiled from British official sources as given in the report on the Commercial Relations of the United States with Foreign Countries for the years 1894-5, issued by the State Department. The marked falling off in exports of wheat to the United Kingdom from gold standard countries, and the remarkable increase of wheat exports from those countries in which gold is at a premium, as measured by their currencies, conveys a lesson that cannot be mistaken. The stimulus given by the premium on gold on all exports from silver- and paper-using countries to gold-using countries is rapidly changing the course of the wheat trade, and must, if unchecked, soon result in the wheat producers of silver-using and paper-using countries driving the producers of gold-using countries out of the British markets.

These are the gold-standard countries that have had to sell their exports of wheat to the United Kingdom in competition with the wheat growers of silver-using and paper-using countries in which gold is at a premium:

	1880, bushels.	1894, bushels,
Germany	2,983,400	1,334,747
Egypt	2,989,059	* * *
Roumania	236,374	201,766
Turkey	* * *	633,877
United States	67,556,186	46,022,057
Australasia	7,926,569	7,221,180
Canada	7,256,726	5,298,227
	88,948,314	60,711,854

These are the countries that have enjoyed a bounty on their exports of wheat to the United Kingdom in the shape of the appreciation, or premium on gold, as measured in their currencies:

	1880, bushels.	1894 bushels.
Russia	5,376,605	31,221,661
India	6,025,893	9,984,905
Argentina	* * *	24,778,017
Chile	2,516,651	3,288,905
Uruguay	* * *	577,766
	13,919,149	69,851,254

The following table gives the imports of wheat into the United Kingdom for the years 1880 and 1894 in condensed form:

	1880 bushels.	1894 bushels.	Decrease bushels	Increase bushels.
From gold standard countries	88,948,314	60,711,854	28,236,640	* *
From countries in which gold is at a premium	13,919,149	69,851,254	* *	55,932,105
From all other countries (unclassified)	288,128	340,860	* *	55,732
	103,155,591	130,903,968	* *	27,748,377

Thus we see that while imports of wheat into the United Kingdom from gold-standard countries fell off from 88,948,314 bushels in 1880 to 60,711,854 bushels in 1894, or by one-third, the imports from countries in which gold was quoted at a premium increased by five-fold, and where eighty-six per cent. of the wheat imported into the United Kingdom in 1880 came from gold-standard countries, only forty-six per cent. came from gold-standard countries in 1894. This marked falling off in exports from gold-standard countries and the remarkable increase in exports from countries in which gold is at a premium shows conclusively that the producers in those countries in which gold was at a premium had some great advantage over their competitors in gold-standard countries.

Great Advantages of Our Competitors.

And what was this advantage? We are told in the same report from which we have compiled the above statements that Great Britain only paid sixty-seven cents per bushel for her foreign wheat in 1894 against $1.25 per bushel in 1880. The result, of course was, that all wheat-growers in gold-standard countries received in 1894 but sixty-seven cents in gold per bushel for their wheat less freight charges to Liverpool, in place of $1.25 in 1880. The farmer in the United States, in Canada, in Australia sold his wheat for fifty-eight cents a bushel less in 1894 than in 1880, or in other words realized 46.4 per cent. less in the English market for his wheat than in 1880. The price which farmers in all gold-standard countries realized for their wheat, being thus greatly cut into, obviously they had much less to recompense them for the cost of production, and as they have found it impossible to reduce the cost of production in any such degree, this great fall in prices has greatly impoverished them.

But while the price realized by the producers in gold-standard countries has been thus reduced, the case with the wheat-grower in those countries in which gold has gone to a premium as measured in their silver or paper currencies has been very different. In 1880 gold as measured by silver commanded a slight premium. In 1894 the premium was very much larger. Indeed, gold as measured by silver was worth eighty per cent. more in 1894 than in 1880. Consequently the wheat-raiser in a silver-standard country selling to England, could sell for a very much lower price in gold in 1894 than he could in 1880 and still realize the same amount of silver. For the gold received in 1894 he could buy eighty per cent. more silver than he could for the gold received in 1880, so to the producer on a silver basis, sixty-seven cents in gold in 1894 was equivalent, that is represented just as much silver, as $1.21 in 1880. Therefore, while the wheat-grower in gold-standard countries received fifty-eight cents less for his wheat in 1894 than in 1880 the producer in silver-standard countries received but four cents less. To the silver-using wheat-grower the appreciation of gold made up for the fall in the gold price.

Bounty Enjoyed by the Indian Wheat Raiser.

In India the mints were closed to the free coinage of silver in June, 1893, with the avowed purpose of restricting the coinage of silver and thus giving the rupee an artificial value in excess of the bullion value. So since June, 1893, the rupee has not been the exact equivalent of bullion, but has been worth somewhat more than the same amount of silver as bullion. The result has been that the Indian producer has not enjoyed the full extent of the premium on gold as measured by silver. In competing for the Chinese markets, the Indian has felt this handicap greatly, for the increased value of the coin rupee over silver bullion has necessitated him to ask more silver in the Chinese markets to realize the same price in rupees. As a result Indian yarn has been driven out of the Chinese markets and even the Indian markets threatened with the invasion of Chinese yarns. But in exporting to gold-standard countries the Indian wheat-grower, while not enjoying the same premium as he would enjoy if the Indian mints had not been closed to silver, has enjoyed and enjoys a very considerable bounty—gold as measured by the rupee being at a premium of over sixty per cent. So during 1894 the gold received by the Indian for his wheat was worth approximately two-thirds more to him than to his gold-standard competitors, so that practically he received $1.10 for his wheat where the American farmer received but sixty-seven cents in the London market.

By the Russian and Argentinian.

Turning to Russia, which shows such a marked increase in exports of wheat to Great Britain, we find the Russian producer enjoyed in 1894 a bounty of forty-six per cent. as a premium on gold, so that the sixty-seven cents he received in gold for his wheat realized him ninety-eight cents per bushel. In Argentina the average premium on gold for 1894 was 258 per cent., so that for the sixty-seven cents in gold received in Great Britain the Argentine wheat-grower could purchase Argentine currency to the amount of $2.40. And so gold in Chilean bank paper was at a premium of about 175 per cent., and still is, though Chile nom-

inally resumed gold payments on June 1, 1895. So where our farmer received in 1894 sixty-seven cents in gold for wheat sold to Great Britain the Indian farmer received $1.10 in silver, the Russian farmer ninety-eight cents in paper and the Argentinian $2.40 in paper.

Effect of this Bounty on Wheat Prices.

So we see that our competitors received nominally much more for their wheat than our producers. Now, if $1.10 in India, or 98 cents in Russia, or $2.40 in Argentina, went no further in paying the cost of production in those countries than 67 cents in America our producers would have been at no disadvantage. But prices in India or Russia have not risen and the cost of production has not increased, which goes to show that it is gold that has appreciated and not the Indian rupee or the Russian ruble that has depreciated, and though prices have advanced in Argentina they have not advanced in anything like degree with the depreciation of paper as measured by gold. In India the rupee will buy as much, and it will go just as far in paying the cost of producing wheat as it did in 1880 or 1873 when worth much more in gold. So it is that the Indian producer without reducing at all the price he receives, can sell his wheat in London for a smaller gold price than he could in 1880 equivalent to the fall in the rupee as measured by gold. And so the 67 cents in gold which the Russian received in 1894 is equal to him, owing to the premium on gold, to just as much as 98 cents would be to the American farmer.

As to Argentina, we have said prices have risen and cost of production has increased, but at the outside the cost of production in Argentinian paper has not more than doubled since 1880 (when Argentinian currency was almost at a par with the gold, the premium on gold for that year fluctuating from par to about twenty per cent.), so that sixty-seven cents in gold converting into $2.40 in Argentinian paper was worth at least as much to the Argentinian wheat grower as $1.20 would have been in 1880.

It is, then, no wonder that exports of Argentinian and Russian and Indian wheat have greatly increased, while exports of wheat from the United States, from Canada, from Australasia and all gold-standard countries, with the exception of Turkey, whose currency, be it said, is in a very chaotic condition, have fallen off. Our wheat-growers cannot hope to successfully compete with the Argentinian and Russian and Indian wheat-growers so long as our competitors are possessed of the great advantage which they how enjoy in the shape of a premium on gold. This premium has practically enabled them to cut gold prices in half and still realize the same silver and paper price, or in the case of Argentina a larger paper price that fully compensates for the increased cost of production. Until our wheat-growers are placed on the same footing as their competitors they cannot hope to successfully compete for the European markets, for it is out of the question for our producers to reduce the cost of production so as to enable them to sell their wheat for half price without reducing the profit of wheat growing.

Bimetallism Must be Restored.

And to put our wheat growers and other producers on an equal footing, we must restore bimetallism—thus bridge over the divergence in the price of gold and silver, and take away from our silver competitors the advantage they enjoy. It may be urged that two of our chief competitors, Russia and Argentina, are on a paper basis and would not be affected thereby, and that even on a bimetallic basis we would be at a disadvantage in competing with them. But the premium on gold in Russia and Argentina is directly due—in Russia entirely, and in Argentina in large degree—to the appreciation of gold, and just as gold fell as the result of restoring silver to its place as money and letting it share the burdens of gold as a basis for our money, the premium on gold in Russia and Argentina and all paper-using countries would decrease.

True, in such countries as Argentina a considerable depreciation of paper would still remain, unless such countries

were encouraged by the depreciation of gold and the decline of the premium to take steps to resume specie payments; but such depreciation would not give them any advantage, for where the premium on gold is so great as not to be wiped out with the restoration of the parity of gold and silver, the cost of production, measured in such depreciated currency, has been, as in Argentina, increased. In short, it is the appreciation of gold that gives our competitors the advantages they enjoy, not the depreciation in their currency. It is because silver has not depreciated as measured in commodities that the premium on gold confers an advantage on silver-using countries in competition with gold-using countries. A currency depreciated as measured in commodities and by productive power would confer no advantages on producers in such countries, for what they gained as a premium on gold or silver they would lose in increased cost of production, and hence would have no advantage over us on a bimetallic basis. Argentina at present has an advantage, because the premium received in gold is much greater than the increased cost of production. Take away that part of the premium due to the appreciation of gold and she would have no advantage, as the increased cost of production would offset the premium received in gold and silver.

Therefore, by restoring bimetallism, we can place our producers on the same plane in competition with their competitors as they occupied prior to 1873. Thus only can we secure better and more remunerative prices for our products and restore the prosperity of our agricultural classes.

Chinese Competition in Cotton.

In 1874 the Shanghai price of a picul (133⅓ lbs.) of the best Chinese cotton was about 12 Haikwan taels. To-day 12 Haikwan taels is still given as about the average purchase price of a picul of the best Chinese cotton in Shanghai, and during all the intermediate years the price of cotton varied but little. For the past twenty-two years the average price of Chinese cotton has been then about 12 Haikwan taels. But the Haikwan tael is based on silver. In 1874 it was worth $1.61 in gold, on

April 1st, 1896, but 81.2 cents, while on January 1st, 1895, it was worth but 74.9 cents.

For twelve Haikwan silver taels the Englishman could have bought a picul of Chinese cotton in 1874 or 1875; for 12 Haikwan taels he can still buy a picul of cotton. But in 1874 he had to pay for his tael $1.61 in gold, while to-day he pays but 81.2 cents, so that the cotton that would have cost him $19.32 in 1874 or 1875 would cost him to-day only $9.74. The silver price of cotton in Shanghai has remained unchanged for the past twenty-five years, but the price to the buyer purchasing with gold has varied with the fluctuations in silver.

In 1874–75 the Haikwan tael cost $1.61 in gold, which made the cost of cotton purchased in Shanghai at 12 Haikwan taels per picul 14.49 cents per pound; in 1886 the cost of the tael in gold had fallen to $1.236, which reduced the gold price of cotton costing 12 taels per picul proportionately, or to 11.12 cents per pound.

The following table shows the gold value of the Haikwan tael at various periods since the demonetization of silver, and what cotton would have cost in gold per pound at the identical periods, the price of cotton being taken at 12 Haikwan taels per picul (1 picul=133⅓ lbs.):

	Value of Haikwan tael. in gold.	Cost to purchaser paying in gold, of cotton at 12 Haikwan taels per picul.
1874, . .	$1.61	14.49c. per lb.
1886, . .	1.236	11.12 "
January 1, 1888, . .	1.155	10.39 "
" 1, 1890, . .	1.35	12.25 "
" 1, 1892, . .	1.137	10.23 "
" 1, 1893, . .	1.01	9.09 "
" 1, 1894, . .	.849	7.64 "
" 1, 1895, . .	.749	6.74 "
April 1, 1895, . .	.756	6.8 "
July 1, 1895, . .	.80	7.2 "
October 1, 1895, . .	.80	7.2 "
January 1, 1896, . .	.808	7.27 "
April 1, 1896, . .	.812	7.31 "

This clearly shows how the fluctuations in silver affect the price of cotton. It is true Chinese cotton does not come, to an appreciable extent, in direct competition with American cotton, and that Chinese cotton, being of a poorer grade because of unscientific cultivation, American cotton has the preference in the European markets. But none the less, a fall in the purchase price of Chinese cotton in gold must result in a fall in American cotton, because the poorer grade of Chinese cotton will be purchased and used in place of our cotton in the manufacture of low grade goods if the price for our better cotton is held at a price above the Chinese cotton more than sufficient to compensate for the difference in quality.

In view of the great advantage which the fall in the gold price of silver has given the cultivators of cotton in China, it is not surprising that the exports of cotton from Shanghai should have risen from 278,600 piculs (37,146,666 lbs.) in 1886 to 930,400 piculs (124,043,333 lbs.) in 1894, of which Japan took 47,600 piculs in 1886 and 576,000 piculs in 1894, which cotton is being manufactured into goods that are replacing the prints formerly made in England and America with American cotton for the Chinese and Japanese trade, and thus curtailing the demand for American cotton.

Speaking of this exportation of cotton Mr. T. R. Jernigan, United States Consul General at Shanghai, remarks in his consular report (November, 1895): "It may be noted that the large increase in exportation did not increase the price of cotton, and this may confirm the opinion among business men here that the Chinese are prepared to extend the area of cultivation of cotton in proportion as the demand arises. Along the Yangste valley the soil available for cotton cultivation appears as limitless as the supply of labor in China appears inexhaustible."

This is the new competition we are raising up by blindly adhering to the gold standard, resulting in the depreciation of the gold price of silver.

Nor can we safely assume that this competition will be restricted to the lower grades of cotton. The poor grade of cotton now raised is the result merely of a poor system of cultivation.

On this point Mr. Jernigan says, "Cotton is not cultivated in China as in the United States. The preparations of the soil and the planting and cultivation are different. The ridges are wide, like the ridges of an American wheat field, and the seed is sown as the American farmer sows wheat. Consequently the plants are very thick, and the Chinese cotton farmer cultivates every plant to the full maturity possible. The necessity for sufficient space for the plant to grow and branch is not admitted, and when matured, the stalk is small and the limbs comparatively few. This thickness of growth necessarily results in small bolls and a short staple." . . . "When the Chinese are taught the advantage of properly spacing their cotton rows and thinning the cotton plant so that the warm air and the rays of the sun can freely penetrate, the change from the present system of cultivation will be rewarded by an increased yield per acre, and a much finer staple."

There is little of comfort to the American cotton raiser in this. And the competition that is growing up in cotton is but an instance of what is occuring in other industries.

The "Yellow Man" and the "White Dollar" are more than a match for the "White Man" and the "Yellow Dollar."

The Duty of the Farmer.

It is no wonder that the farmer is impoverished, but little sympathy does he get in his distress. He is railed at as a chronic complainer when, protesting against low prices, he seeks a remedy. When unable, through no fault of his own, to pay interest on the mortgage that covers his farm, or rent, if he is a tenant farmer, he is treated as a knave and accused of dishonesty, and when he demands the restoration of silver to its place as money, he is contemptuously spoken of as an unscrupulous debtor, desirous of peeling down his debts. All this the farmer has borne—borne stoically and without complaint, but the time has come when he owes it as a duty to his country, his family and himself, to make himself heard and his power felt.

CHAPTER XIV.

Effect of Falling Prices on our Foreign Trade.

The position of the United States under the gold standard peculiarly unfortunate.—The favored position of England and Germany among gold standard countries.—Exports of agricultural products constitute three-fourths of our exports.—Appalling losses sustained by our farmers from falling prices.—Losses inflicted on the planter by the fall in cotton.—On our farmers by the fall in wheat.—Of farm products in general.—Increased burdens of our foreign indebtedness.—Prices we receive for our exports have fallen much further than the prices we pay for our imports.—Consequent losses on our foreign trade occasioned by falling prices.—Enormity of these losses.—Our loss Great Britain's gain.—The London Statist on Great Britain's interests.—The value of our exports and imports for 1895 contrasted with the estimated value at prices current in 1894 and 1873.—Our duty is to act independently, our place to command.

THE position of the United States under the appreciating gold standard is peculiarly unfortunate. Not only are we a debtor nation, but our exports, consisting chiefly of those commodities that we are forced to sell in direct competition with the favored producers of the silver-using countries, have fallen in value much faster than the products of which the gold-using countries have until recently had a monopoly, and which we import largely. Consequently the value of the commodities we export having fallen much further than the value of the commodities we import, we are called upon to sacrifice a greater and greater portion of the products of our labor to meet the interest on our foreign debt and pay for the merchandise we import.

England and Germany do not suffer as grievously as we do. Both are large creditor nations and large importers of food products and raw materials, which have fallen much in price, while exporting largely manufactured articles, which have not fallen nearly so fast or as far. As creditor nations they receive a larger and larger return on their capital invested abroad as gold appreciates, always provided their debtors continue solvent under the increased burdens, and as importers of food products and raw materials, which have fallen much further than the manufactured goods which constitute the greater portion of their exports, they have been placed at a great advantage in dealing with their foreign customers.

The agricultural classes in both England and Germany have suffered severely from the fierce and destructive competition raised up in silver-using countries by the appreciation of gold, and which has driven the English farmer to abandon in despair the culture of wheat, and of course all other producers have suffered from falling prices. But the injuries inflicted on England and Germany by the losses of the producing classes have in part been compensated by the unearned gains of the money-lending classes, who have been enabled to covertly double the burden of all debts, and by the profits of those who have been enabled to depress the price of cotton and wheat and other products which they buy abroad, while selling their own products at prices much less depressed.

Killing the Goose that Lays the Golden Egg.

True, the money-lenders have in many instances seen their expected gains snatched from their grasp by the failure of their debtors, and they have destroyed all incentive to enterprise, and hence the demand for money. True, also, it is that the English manufacturer has not profited as he expected by depressing the price of cotton and wheat, for he has impoverished his customers, ruined his markets and built up competition that he cannot meet in those countries that have adhered to the silver standard. It is for these reasons that British and German creditors, awakening to the fact that it is better to be paid in silver than not paid at all, and the manufacturers, seeing that they are killing the goose that laid the golden egg, are now advocating bimetallism.

But it is none the less true that the British and German nations are compensated in part for the losses inflicted on their producers by falling prices, and at our expense. The gold standard brings ruin to producers in all gold-using countries, but placed in the unfortunate position that we are, we are forced to shoulder a double burden, carrying not only our own load, but relieving the gold-standard nations of Europe of a portion of the burden that they would inevitably have to carry if we were not so blind as to make ourselves their willing tool. For Eng-

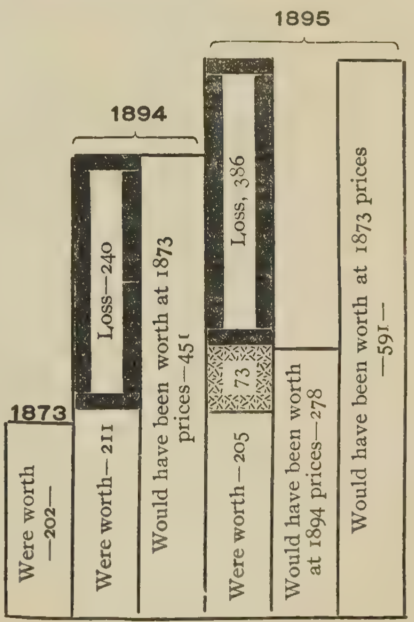
land and Germany to pursue gold-monometallism is short-sighted and foolish ; for us to do so is suicidal.

Exports of agricultural products have for years constituted three-fourths of our total exports. This is graphically shown by the diagram on the following page, reproduced from the monthly bulletin of "Finance, Commerce and Immigration of the United States" for December 1895.

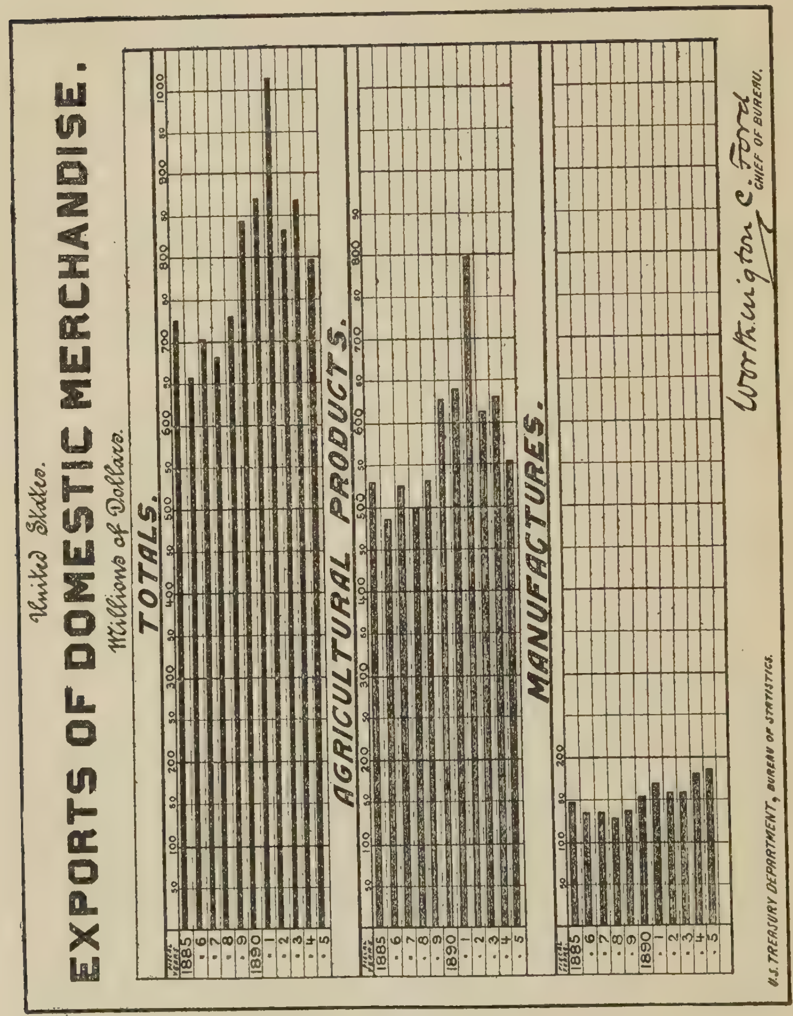
This diagram tells its own story, but it does not tell the whole story. It shows the burden of paying our foreign indebtedness falls chiefly on our farmers, who supply three-fourths of our exports, but it does not show the appalling losses sustained by our farmers from falling prices. It does not show how the quantity of our exports has increased out of all proportion to the reported increase in value, nor does it show how our foreign debt has become more and more burdensome from year to year. The true story of loss in our foreign trade consequent on the fall in prices is told by the following diagrams and tables :

COTTON.

Diagram showing the value of exports of Cotton in millions of dollars for the years 1873-1894 and 1895, also showing what would have been the value of exports of Cotton in 1894 at prices current in 1873, of exports in 1895 at prices current in 1894 and 1873 and the losses caused by falling prices.



In each of the six columns the words written therein should be prefaced by the reader with the words "Exports of cotton for the year—1873, 1894, or 1895," as the case may be. Thus—"Exports of cotton for the year 1873 were worth 202 millions," and so on. The figures denote values in millions of dollars.


United States.
EXPORTS OF DOMESTIC MERCHANDISE.
Millions of Dollars.
TOTALS.
AGRICULTURAL PRODUCTS.
MANUFACTURES.
Worthington C. Ford
CHIEF OF BUREAU.
U.S. TREASURY DEPARTMENT, BUREAU OF STATISTICS.

In the last, as in the two following diagrams, the first column and the unshaded part of columns 2 and 4 denote the aggregate value of exports of cotton, of wheat flour, or wheat, as the case may be, for the fiscal years 1873, 1894 and 1895 respectively, and the shaded part of columns 2 and 4 the loss on exports of cotton, wheat, etc., by reason of falling prices, as shown by the difference between the actual value and what the value would have been if we had received prices current in 1873 as shown in the third and sixth columns. The fifth column of each diagram shows what would have been the value of exports at prices current in 1894, the lighter shaded portion of the fourth column showing the loss in value from the lower prices ruling in 1895 than in 1894.

To each of the diagrams we append a table giving in detail what we have endeavored to depict graphically by the aid of diagrams.

The following table of the exports of cotton for the years 1873, 1894 and 1895, shows how we have increased our exports of cotton nearly three-fold since 1873 without appreciably increasing the value:

Exports of Cotton.

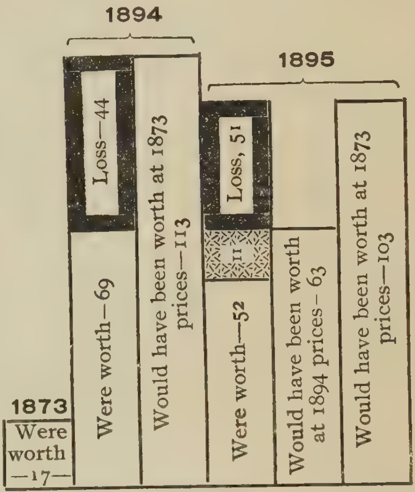
Fiscal Year.	Pounds.	Price.	Value.	What the value would have been at prices current in 1894.	What the value would have been at prices current in 1873.
1873	1,200,063,530	16.8c.	$201,635,376		
1894	2,683,282,325	7.9c.	210,869,289		$450,791,431
1895	3,517,433,109	5.8c.	204,900,990	$277,877,216	590,928,762

It will be seen that 3,517,433,109 pounds of cotton exported in 1895,—nearly three times the quantity exported in 1873, representing practically the expenditure of three times as much labor, for there has been no general introduction of labor-saving machinery in the raising of cotton during the past two decades,—brought but $3,265,614 more money than the export of 1,200,063,530 pounds in 1873. In other words our planters expended three times as much labor in order to raise the money to pay their debts, as in 1873, and the payment of our debts

abroad by the export of cotton in 1895 to the amount of $204,-900,990 necessitated the same export of cotton, and the same expenditure of labor and energy in raising cotton as the payment of $590,928,762 in 1873.

WHEAT FLOUR.

Diagram showing the value of exports of Wheat Flour in millions of dollars for the years 1873-1894 and 1895, also showing what would have been the value of exports of Wheat Flour in 1894 at prices current in 1873, of exports in 1895 at prices current in 1894 and 1873 and the losses caused by falling prices.



In each of the six columns the words written therein should be prefaced by the reader with the words "Exports of wheat flour for the year—1873, 1894, or 1895," as the case may be. Thus "Exports of wheat flour for the year 1873 were worth 17 millions," and so on. The figures denote values in millions of dollars.

Exports of Wheat Flour.

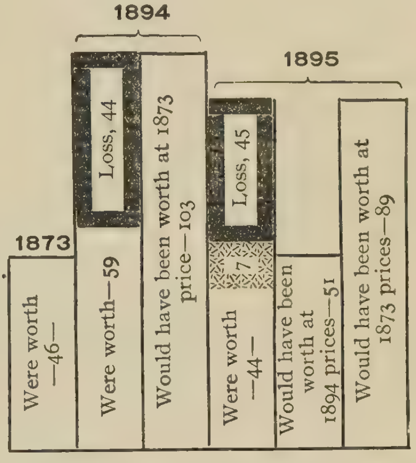
Fiscal Year.	Barrels.	Price.	Value.	What the value would have been at prices current in 1894	What the value would have been at prices current in 1873.
1873	2,561,086	$6.71 1/10	$17,197,572		
1894	16,859,533	4.10 9/10	69,271,770		$113,144,326
1895	15,268,892	3.38 3/10	51,651,928	$62,739,877	102,469,534

The above table, showing the exports of wheat flour, shows an increase in quantity from 2,561,086 barrels in 1873 to 16,-859,533 barrels in 1894, and 15,265,892 barrels in 1895, but while we exported 6½ barrels of flour in 1894 to every barrel exported in 1873, we only received 4 times as much in value, and while we exported 6 barrels in 1895 to every one in 1873 we only received three times as much money as in 1873. In an

effort to pay our debts abroad by the export of wheat we have thus increased our exports of flour by 12,707,806 barrels, but prices have so fallen that this increase of six times in quantity has only sufficed to increase the debt-paying power of our exports of flour three times. It takes nearly twice as much labor to pay our debts with wheat flour as it did in 1873.

WHEAT.

Diagram showing the value of exports of Wheat in millions of dollars for the years 1873-1894 and 1895, also showing what would have been the value of exports of Wheat in 1894 at prices current in 1873, of exports in 1895 at prices current in 1894 and 1873 and the losses caused by falling prices.



In each of the six columns the words written therein should be prefaced by the reader with the words "Exports of wheat for the year—1873, 1894, or 1895," as the case may be. Thus "Exports of whea for the year 1873 were worth 46 millions, and so on." The figures denote values in millions of dollars.

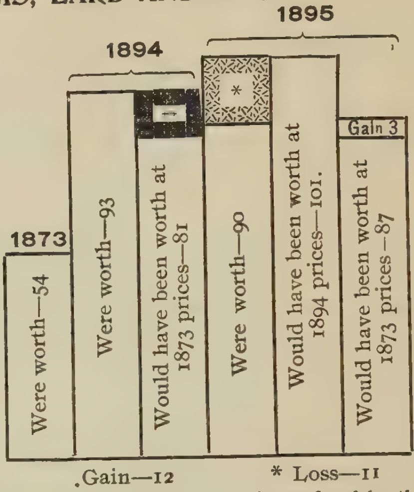
Exports of Wheat.

Fiscal Year.	Bushels.	Price.	Value.	What the value would have been at prices current in 1894.	What the value would have been at prices current in 1873.
1873	39,204,285	$1.16 4/10	$45,654,174		
1894	88,415,230	.67 2/10	59.407,041		$102,915,328
1895	76,102,704	.57 6/10	43,805,663	$51,141,017	88,583,547

It will be seen from the above table that wheat exports were nearly twice as large in 1895 as 1873, but in paying our debts abroad, exports of wheat in 1895 to the amount of 76,102,704 bushels did not go as far as exports of 39,204,285 bushels in 1873 by $1,848,511.

BACON AND HAMS, LARD AND PORK.

Diagram showing the value of exports of Bacon and Hams, Lard and Pork for the years 1873-1894 and 1895, also showing what would have been the value of exports of Bacon and Hams, Lard and Pork in 1894 at prices current in 1873, of exports in 1895 at prices current in 1894 and 1873 and the gain or loss from fluctuations in prices.



In each of the six columns the words written therein should be prefaced by the reader with the words "Exports of bacon and hams, lard and pork, for the year—1873, 1894, or 1895," as the case may be. Thus "Exports of bacon and hams, lard and pork, for the year 1873 were worth 54 millions," and so on. The figures denote values in millions of dollars.

Exports of Bacon and Hams, Lard and Pork.

Pounds.		Price.	Value.	What the value would have been at prices current in 1894.	What the value would have been at prices current in 1873.
1873.					
Bacon & Hams, . .	395,381,737	7.9c.	$31,075,543		
Lard, ...	230,534,207	8.2c.	18,851,655		
Pork, ...	64,147,461	6.9c.	4,442,799		
			$54,369,997		
1894.					
Bacon & Hams, . .	503,628,148	9.6c.	$48,183,905		$39,786,624
Lard, ...	447,566,867	8.9c.	40,089,809		36,700,483
Pork, ...	64,744,528	7.9c.	5,159,868		4,467,372
			$93,433,582		$80,954,479
1895.					
Bacon & Hams, . .	558,044,099	8.7c.	$48,736,860	$53,572,233	44,085,484
Lard, ...	474,895,274	7.8c.	36,821,508	42,265,679	38,941,412
Pork, ...	59,085,474	7.1c.	4,199,060	4,667,752	4,076,898
			$89,757,428	$100,505,664	$87,103,794

Of all the products which we export in payment of our foreign debts contracted on account of purchases of merchandise

abroad, of interest charges, of freights due foreign shippers, or expenses of American travelers, bacon and hams, lard and pork, are the only exports that cut any figure that have not fallen in price, and that go as far to pay debts to-day as they did in 1873. For this exception to the general downward trend of prices since the first steps were taken to demonetize silver—a downward trend that has become more and more marked as silver has been gradually discarded, and the burden of effecting the world's exchanges thrown on gold alone; a downward trend that has been unbroken, with the exceptions of the rise in prices in 1879–1883 following the passage of the Bland Act in 1878 and the enlarged use of silver as money, and the slight rise in prices with the expansion of credits in 1888 and 1889, culminating in the Baring crash of 1890—there are several reasons.

Why the Price of Pork has not Fallen.

First and primarily these products, bacon and hams, lard and pork, to which may be added corn,—and, in fact, it is in the shape of bacon and hams, lard and pork, that much of our corn finds its way to market—do not come into competition with the products of silver-using countries. Hence, prices for these products are not affected by the divergence in the value of silver and gold, as is the case with cotton and wheat, and many other products which are raised or manufactured in silver-using countries, and which the producers in silver-using countries, being willing and able, (because the silver cost of production has not increased in such countries), to sell for the same amount of silver to-day, when an ounce of gold is worth 31 ounces of silver, as twenty-five years ago, when an ounce of gold was worth but 15½ ounces of silver, can be, and are, laid down by them in gold markets for one-half the gold price, which is equivalent to the same silver price demanded before silver was demonetized. The prices of these products, bacon and hams, etc., could therefore only be affected by the demonetization of silver by the general appreciation of money in gold-using countries, resulting from the scarcity of money caused by discarding silver. This of itself,

would naturally have led to a material fall in prices for these products, although to a fall not so rapid or so sensitive to fluctuations in the gold value of silver as the prices of those products that are sold in competition with the products of silver-using peoples. But such tendency to lower prices has been offset by new markets and new and extended uses for these products—bacon and hams, lard and pork—and consequently a greater demand, while at the same time the number of swine in the United States relatively to the population has fallen off materially. January 1st, 1873, there were 792 head of swine in the United States to each 1000 inhabitants; January 1st, 1896, there were but 607. Thus while the demand has increased the supply has been curtailed, with the result that the tendency of prices to fall consequent on the appreciation of gold has been entirely offset.

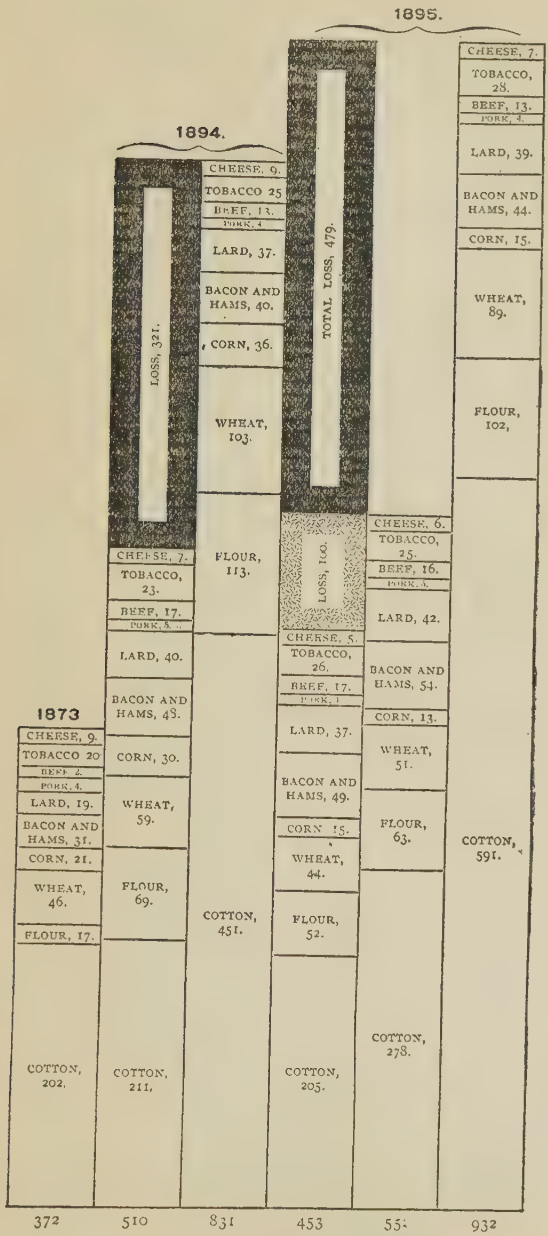
The diagram on the next page shows the value of exports in millions of dollars of ten agricultural products for the years 1873, 1894 and 1895, also what would have been the value of the same exports in 1894, at prices current in 1873, of the same exports in 1895 at prices current in 1894 and 1873, and the losses caused by falling prices. The ten articles of agricultural export thus analyzed, Cotton, Wheat Flour, Wheat, Corn, Bacon and Hams, Lard, Pork, Beef, Tobacco and Cheese, constitute eighty per cent. of our total exports of agricultural produce.

Exports of ten agricultural products, Cotton, Wheat Flour, Wheat, Corn, Bacon and Hams, Lard, Pork, Beef, Tobacco and Cheese.

Fiscal Year.	Value.	What the Value would have been at prices current in 1894.	What the Value would have been at prices current in 1873.
1873	$371,589,434		
1894	510,012,686		$830,815,344
1895	452,719,951	$552,348,334	932,091,563

As shown by the diagram reproduced from the monthly bulletin of Finance, Commerce and Immigration of the United

Exports of Agricultural Products.



The 1st column shows value of exports in millions of dollars for the fiscal year 1873, the unshaded part of the 2nd column the value of exports for 1894, and the shaded part the depreciation in the value of these exports, due to the lower prices ruling in 1894 than 1873; the 3rd column shows what the value of the same quantity of the ten staple agricultural products exported in 1894 would have been at prices current in 1873; the unshaded portion of the 4th column shows the value of exports for 1895, the lightly shaded portion the depreciation in the value because of the lower prices ruling in 1895 than in 1894, and the whole of the shaded portion the depreciation caused by the lower prices ruling in 1895 than in 1873. The 5th column shows what would have been the value of these exports in 1895 at 1894 prices, and the 6th column shows what would have been the value at export prices current for the same products in 1873.

States and already referred to, 75 per cent. of our exports consist of agricultural products. It is agricultural products chiefly that we send abroad to pay for what we import, and to pay interest charges on our foreign debt, expenses of Americans abroad, freights to foreign shippers, etc. And as agricultural products, which constitute the larger part of our exports, have fallen much further than the prices of the goods we import, we are losers on our foreign trade because of falling prices to fabulous amounts yearly. Further, as it is with agricultual products that we must pay interest charges on our foreign debt, these charges have become more and more burdensome as prices of agricultural products have fallen. And the same is the case with the debts contracted abroad by American travelers, and freights earned from American importers by British and other foreign ships.

Efforts to Meet Our Foreign Indebtedness.

It is not from any lack of effort to pay our debts abroad that, through the accumulation of interest charges, etc., unpaid when due and reinvested in American securities, our foreign debt has grown. We have increased the quantity of our exports from year to year, we have parted with a larger and larger share of our produce, we have drained our resources year after year, but still our foreign debt has gone and goes on increasing. The great efforts we have made, and our farming classes especially, to increase our exports so as to pay our debts would, under natural conditions, have sufficed to pay our foreign debts in 1873 many times over. But we have not had natural conditions. We have had an insuperable obstacle to contend with in the fall in prices. Our farmers have impoverished themselves, we have drained our resources to increase our exports, but all our efforts have been brought to naught by the fall in prices. Of the ten agricultural products given in the last diagram we exported $371,589,434 in 1873. We exported $510,012,686 in 1894. We thus increased our exports 37 per cent., but this small increase in value was only obtained by an increase in the quantity of exports of one hundred and twenty-three per cent. At prices ruling in 1873 the value would have been $830,815,344.

Defeated by Falling Prices.

Our exports of these same products for the fiscal year 1895 showed a falling off in value of $57,000,000 over the fiscal year 1894, or from $510,012,686 to $452,719,951, or 11.2 per cent. The debt-paying power of our exports of these agricultural products fell off over 11 per cent., but it was not from any let-up in our effort to pay our debts, or a decrease in the quantity of exports. During this same year the quantity of our exports actually increased 8.3 per cent. At 1894 prices our exports for 1895 would have been worth $552,348,334—$100,000,000 more than they were—would have paid $100,000,000 more of debt than they did. The value of the same quantity of these ten exports that we exported in 1895 would have been worth at 1873 prices $932,091,563—106 per cent. more than they were. We exported two and one-half times as much of these ten agricultural products in 1895 as we did in 1873, but the total value of our exports increased but 21.8 per cent.

Taking sixteen of our principal articles of export (cotton, flour, wheat, corn, bacon and hams, lard, pork, beef, tobacco, cheese, cotton cloths, lumber, copper, coal, pig iron and petroleum), representing more than two-thirds of our total exports, we are startled to find that we received only 54.72 cents in 1894 for the same quantity of these exports that we received $1 for in 1873, and the same quantity of these exports that brought $100 in 1873, only brought $45.42 in 1895. Measured by these sixteen exports the gold dollar was worth in 1894 as much as $1.82¾ in 1873, and in 1895 was worth as much as $2.20⅛ in 1873. This is the tale told by our exports.

The great disadvantage under which we are working becomes at once apparent when we examine our imports. The gold-monometallists tell us that what we lose by selling at low prices we gain by buying equally cheap. But this is not the case. Taking twenty-six of our principal imports, comprising sugar, coffee, tea and other food products, raw materials such as wool, silk and jute, and manufactured articles, forming together nearly one-half of our imports, we find that the decline in the price of these imports has been much less marked than the fall in the price of our chief articles of export.

The prices we received for our principal exports were 45.28 per cent. less in 1894, and 54.58 per cent. less for the fiscal year 1895 than for 1873, while the prices paid for our principal articles of import were only 28.21 per cent. lower in 1894, and 36.49 per cent. lower in 1895 than in 1873. In other words we purchased the gold dollar to settle interest and pay for our imports in 1894 with commodities that would have brought $1.83 in 1873, but when we came to spend this dollar that cost us $1.83 and pay for imports we found it would only pay for 39 per cent. more than the dollar of 1873. So, for 1895, we purchased the gold dollar only by the sacrifice of labor and energy that would have purchased $2.20 in 1873, yet when we came to pay for imports, this dollar that cost us as much as $2.20 did in 1873 only went as far as $1.57 would have gone in 1873. Thus we are placed at a great disadvantage in our foreign trade and stagger under our burdens.

Our Loss Great Britain's Gain.

But while we have suffered immense losses on our foreign trade from falling prices the creditor classes of Great Britain have been enriched at our expense. Moreover, Great Britain has profited in her foreign trade from falling prices, because the prices of the agricultural staples, food and raw textile materials, which she imports so largely, have fallen further than the prices of the manufactured goods she so largely exports. Besides Great Britain's gain was our loss, for what England imports we export, and the prices we receive for our exports have fallen much further than the prices we pay for what we import. From the fall in prices in one year, for 1895 over 1894, Great Britain profited on her foreign trade over $40,000,000, while, because of the fall in prices, for the fiscal year 1895 over 1894, we lost, on our foreign trade, over $48,000,000.

Great Britain's total imports for 1895, re-exports included, were valued at £416,687,000. If she had paid the same prices for these imports as ruled in 1894, they would have cost her £17,000,000 more, or £433,800,000. Thus she gained on her imports because of the fall in prices, £17,000,000. For the same year, the value of her exports, less re-exports of foreign and colonial products, was £226,169,000. If she had received the

higher prices ruling in 1894 for the goods she exported in 1895, her exports would have brought her £234,802,000, or £8,500,000 more than they did. Thus, while Great Britain lost £8,500,000 on her export trade, she gained £17,000,000 on her import trade, a net gain on her foreign trade, from falling prices, for the year 1895 over 1894, of £8,500,000, or over $40,000,000. These figures are from the London *Statist.*

Losses on our Foreign Trade.

Turning from this to our own foreign trade, what do we find? Our exports of domestic produce for the year ending June 30th, 1895, were valued at $793,392,599. Assuming that all other articles of export and import have declined in a like ratio with the sixteen articles of export, consisting of two-thirds of our exports, and the twenty-six articles of import, comprising in value nearly one-half of our imports, which we have analyzed, the same quantity of goods we exported in 1895, and valued as above, would have been worth at prices ruling in 1894, $940,570,372, while our re-exports, to an amount of $14,145,566, would have been worth $16,095,957—a total loss on our export trade caused by the fall in prices, of $149,128,164. And this loss was far from offset by a fall in the prices of what we imported. Our imports for the fiscal year 1895 amounted to $731,969.965. At prices ruling the year before, the same imports would have cost $832,894,866. Thus we gained $100,924,901 by the lower prices we paid for our imports, and lost, from the fall in the prices received for our exports, $149,128,164,—a net loss, entailed upon us by the fall in prices during one year, of $48,203,263.

But, as appalling as this is, it is as nothing compared to the losses occasioned by the fall in prices since 1873, for as we have said, while the prices received for our exports have fallen on an average of 54.58 per cent. since 1873, the prices we must pay for our imports have fallen but 36.49, or, in other words, to get the gold dollar in 1895 we had to give in exchange as much produce as we had to give for $2.20 in gold in 1873, but when we came to buy abroad, the gold dollar costing us 120 per cent. more than in 1873 only went 57 per cent. further. The result is that, had we

received 1873 prices for the quantity of produce we exported in 1895, our gross exports, which were valued at $807,538,165, would have been worth $1,769,061,584, while our imports, valued at $731,969,965 for 1895, would have cost us, at 1873 prices, but $1,152,552,587. Consequently, the merchandise balance of trade in our favor would have been $616,508,997 instead of $75,568,200, a loss on our foreign trade alone of $540,940,797. We have, of course compared prices ruling in 1895, with the gold prices ruling in 1873, which were considerably below the currency prices.

Great Britain's Profit at Our Expense.

In January last, after giving the figures of the foreign trade of Great Britain for 1895, which showed the value of her foreign trade to have been greater than in 1894 or 1893, but less than in the years 1889–1892 inclusive, the London *Statist* remarked :—

"The cash value of our foreign trade is, however, no guide to its real value or its profitableness. The United Kingdom is a consuming country, and it imports the greater portion of its food supplies, as well as nearly the whole of its raw materials for textile manufactures. These food stuffs and raw materials are sent here in payment for purchases of British manufactured goods, for interest and profits upon capital due to Great Britain from producing nations, and for transport and other services rendered. Consequently the lower the prices for food stuffs and raw materials the greater will be the quantity required to be sent to this country to meet interest and other obligations, and to pay for other services rendered. Further, should prices of British manufactured goods not fall to an extent corresponding to the fall in prices of foreign and colonial produce, the profits on the sale of British goods to foreign countries and our colonies would be enhanced.

"The conditions of 1895, compared with both 1894 and 1890, have been that prices of foreign and colonial produce have been extremely low, and that, consequently, a great deal more produce has had to be sent to this country in order to meet interest and other obligations. Further, prices of British manufactures exported have not fallen to an extent corresponding to the decline in prices of foreign and colonial produce imported, and consequently the cash proceeds of our exports have purchased a relatively larger quantity of British and foreign produce."

It may here also be remarked that, as Great Britain's imports much exceed her exports, a fall in prices would inure to her benefit, even if the prices of British manufactures exported fell proportionately with the raw materials which she imports. This

difference between the volume of her imports and exports, and amounting to a yearly average of not less than $600,000,000, represents the sum due to Englishmen for the use of their ships by foreigners, and interest on capital which they have invested abroad, which they take in the shape of merchandise.

For 1895 the imports into Great Britain amounted to £416,688,000, and less re-exports of produce imported from foreign countries and the British colonies to £356,716,867, while exports of British produce amounted to £226,169,174. This left a merchandise balance against Great Britain of £130,547,693, or, approximately, $650,000,000. But did England send abroad gold in payment for this adverse merchandise balance? No! On the contrary her imports of gold exceeded exports by £14,736,715, and her net imports of silver amounted to £302,246, a net total of £15,038,961 or $75,000,000. England thus imported $725,000,000 more than she exported.

This is the sum that represents the interest on money loaned abroad by Englishmen, and the freights paid their shipowners for the use of their ships. The further prices fall, the greater will be the quantity of goods required to be sent to England in settlement of this immense sum.

America Must Take the Initiative.

Is it not apparent that America, that suffers the most from falling prices, must take the initiative in restoring bimetallism—not England that suffers least? It is folly to wait on England, a nation that is ruled by a class that actually profits from the fall in prices.

In making up the following detailed tables of exports and imports, showing the losses inflicted by falling prices, we have calculated what the chief articles of export, which we exported in 1895, would have brought us had we received prices current in 1894 and 1873, and what the same quantity of our chief imports, that we imported in 1895, would have cost us at prices ruling in the same years. We have thus analyzed the prices of 16 articles of export, comprising two-thirds of our total exports, and 26 articles of import, comprising nearly one-half of our imports, and we have estimated the movement in prices of the

remaining 33 per cent. of our exports and 50 per cent. of our imports on the same basis.

Below we contrast the values of our exports in 1895 with their estimated value at prices current in 1894 and 1873.

EXPORTS.

Articles.	Value of exports, 1895.	Value at prices current in 1894 would have been	Value at prices current in 1873 would have been
Cotton	$204,900,990	$277,877,216	$590,928,762
Wheat Flour	51,651,928	62,739,877	102,469,534
Wheat	43,805,663	51,141,017	88,583,547
Corn	14,650,767	12,793,305	15,174,743
Bacon & Hams	48,736,860	53,572,233	44,085,484
Lard	36,821,508	42,265,679	38,941,412
Pork	4,199,060	4,667,752	4,076,898
Beef	16,832,860	16,455,110	13,202,356
Tobacco	25,622,776	24,972,648	27,616,810
Cheese	5,497,539	5,863,497	7,012,017
Cotton Cloths	10,479,217	11,424,000	26,717,419
Boards, Planks, &c.	8,860,235	9,580,644	10,215,939
Copper, Ingots & Bars	13,921,460	14,547,712	35,181,711
Coal	11,098,627	12,425,600	16,684,405
Pig Iron	277,066	314,233	1,117,559
Oil, Mineral Illuminating	34,706,844	30,124,084	149,405,561
Total Analyzed	$532,063,400	$630,764,607	$1,171,414,157
Miscellaneous	261,329,199	309,805,765	575,374,526
	$793,392,599	$940,570,372	$1,746,788,683
Re-exports	14,145,566	16,095,957	22,272,901
	$807,538,165	$956,666,329	$1,769,061,584
		807,538,165	807,538,165
		$149,128,164*	$961,523,419§

* Received $149,128,164 less for our exports for 1895 than we would at prices ruling in 1894.

§ Received $961,523,419 less for our exports for 1895 than we would at prices ruling in 1873.

Contrasting the value of our imports in 1895 to the estimated cost of the same quantity of goods at prices of 1894 and 1873, we find :

Articles.	Value of Imports, 1895	Value at Prices Current in 1894 would have been	Value at Prices Current in 1873 would have been
Sugar	$76,461,557	$103,658,629	$167,998,466
Molasses . . .	211,143	283,260	566,519
Coffee	96,129,326	106,961,179	86,742,907
Cocoa	3,195,811	3,985,759	3,195,811
Tea	13,170,924	14,684,721	32,578,686
Rice	2,353,432	2,542,516	3,390,022
Tobacco (leaf) .	14,746,692	14,908,357	14,161,606
Cigars	2,083,308	2,171,774	1,478,953
Wine in casks .	1,945,347	1,949,618	900,896
Olive oil . . .	952,405	930,830	1,231,548
Salt	680,802	993,044	993,044
Wool, Hair of Camel, Goat, &c.	25,556,421	22,880,864	43,700,388
Silk, raw . . .	22,626,056	25,620,265	46,060,578
Jute & Jute Butts	2,752,966	3,796,126	4,908,923
Rags other than woolen . . .	1,175,778	1,121,651	2,841,515
Bristles	1,244,151	1,354,854	1,482,402
Carpets	1,361,465	1,594,252	696,565
India Rubber & Guttapercha, crude	18,477,067	18,243,035	17,337,061
Indigo	2,015,975	2,808,177	2,875,510
Tin Plates, &c. .	12,144,080	13,219,152	39,149,028
Tin, Bars, Blocks & Pigs . . .	6,787,424	7,548,190	13,479,794
Cotton Cloths .	5,554,059	4,754,795	5,708,008
Glass, Window-glass, &c., unpolished . .	835,730	815,726	1,916,955
Nitrate of Soda .	4,124,712	3,946,146	5,872,231
Argal	1,893,730	1,870,045	3,572,622
Flax Seed or Linseed	4,554,485	4,932,808	5,807,715
Total analyzed .	$323,034,846	$367,575,773	$508,647,753
Miscellaneous .	408,935,119	465,319,093	643,904,834
	$731,969,965	$832,894,866	$1,152,552,587
		731,969,965	731,969,965
		$100,924,901*	$420,582,622§

* Paid $100,924,901 less for our imports than we would if we paid prices current in 1894.

§ Paid $420,582,622 less for our imports than we would if we paid prices current in 1873.

The effect of falling prices on our foreign trade was therefore as follows:

1895		At Prices Current in 1894	At Prices Current in 1873
Exports . .	$807,538,165	$956,666,329	$1,769,061,584
Imports . .	731,969,965	832,894,866	1,152,552,587
Balance . .	$75,568,200	$123,771,463	$616,508,997
		75,568,200	75,568,200
		$48,203,263*	$540,940,797§

* Loss on our foreign trade for 1895 occasioned by the fall of prices since 1894.
§ Loss on our foreign trade for 1895 occasioned by the fall of prices since 1873.

Can America afford to longer hesitate? Will not persistence in a policy that has brought about this fall of prices lead to inevitable bankruptcy?

Our Duty is to Act Independently, our Place to Command.

No country but America could have stood up under such burdens. But because our great resources have enabled us to support such burdens is no reason that we should strain them to do so, and because we have been able to stand up under our burdens is no reason that we should patiently bear them. On the contrary, our very strength demands that we should break our fetters and free our toiling producers from oppression. America of all gold-using countries suffers the most. Therefore, we should take the lead; we should point the way. We should restore silver to its place as money without hesitation, and no longer continue in dependence on Great Britain. If Americans are worthy of their name they will not humbly petition the European powers for an alleviation of their sufferings. Supplication is belittling for a great nation; to ask permission to restore silver is degrading and humiliating. Our duty is to act independently, our place to command.

CHAPTER XV.

Our Foreign Debt.

Our foreign debt in 1860, insignificant if any.—How it originated during the period 1861-69.—Adverse merchandise trade balances.—Freight charges earned by foreign ship owners.—Expenses of travellers abroad.—On these three accounts our foreign debt was incurred.—Estimated at $1,465,500,000 in 1869.—Has since grown to $5,000,000,-000.—Causes of this growth.—Accumulation of interest charges.—Freights due foreign shippers.—Expenses of Americans living and travelling abroad.—How the demonetization of silver has impaired our ability to meet our foreign indebtedness by destroying the value of the things that go to pay debts.—Some startling figures.—Enormity of our losses and the appalling and steady increase of our foreign debt.—Only one way to check this growth; i.e. stop the depreciation of the things that go to pay debts by restoring bi-metallism.

In 1869 Mr. David A. Wells, then Special Commissioner of Revenue, estimated our foreign debt at $1,465,500,000, the interest charge on which he calculated to be about $80,000,000 per annum.

This debt was almost in entirety the growth of nine years. For the sixteen years 1845 to 1860 no debt was created on account of our foreign trade, as with our exports of merchandise, and gold and silver, we paid for all we bought and more, the excess of imports of merchandise for the period amounting to $377,471,091, being more than offset by the net exports of gold and silver amounting to $411,183,100. The net result of our foreign trade for the years 1845–1860 was, therefore, a balance in our favor of $33,712,009, and consequently no debt was incurred on account of our foreign trade, but quite the reverse.

But this is not the only item to our credit for the period. At the outbreak of the Civil War American vessels controlled the carriage of 65.2 per cent. of our foreign trade. For the period 1845–1860 we shipped at least two-thirds of our exports in our own bottoms, and our own ships brought to us over two-thirds of our imports. American ship-owners received two-thirds of the freight moneys paid for the ocean carriage of the American trade, foreign ship-owners only one-third. Instead of

a constant drain on our gold to pay freights due foreign shipowners on ocean transportation, such as we now experience, when 92 per cent. of our exports and 83 per cent. of our imports are carried in foreign bottoms, our ocean carriage brought us gold. Two-thirds of our ocean freights being paid to our own shipowners, and only one-third to foreigners, we incurred no debt on account of the transportation of our imports, but received a credit on account of carrying the larger portion of our exports to market.

Finally, during this period little money was spent by Americans traveling abroad, and any indebtedness incurred on this account can safely be considered as more than offset by the balance created in our favor by the earnings of American vessels.

There can, therefore, be no doubt that our foreign debt in 1860, if any, was insignificant. Such being the case the question arises, How was the debt estimated by Mr. Wells in 1869 at $1,465,500,000 incurred?

How our Foreign Debt Originated.

Many looking only to our foreign trade for an explanation, and finding that, although we imported during the years 1861-1869 imports valued at $732,219,547 in excess of our exports, we exported for the period $439,678,760 more gold and silver than we imported, thus leaving an adverse balance for which we must have created debt in payment of only $292,540,787, declare that the creation of any such foreign debt as that estimated by Mr. Wells to have been impossible, for they say we received nothing in return beyond our excess of imports, as shown above, to account for the creation of debt, and that, therefore, our foreign debt could not have much exceeded that figure.

Such reasoning shows but little appreciation of the conditions under which we incurred our great foreign debt, estimated in 1869 at $1,465,500,000 and now at over $5,000,000,000.

When the war broke out 65.2 per cent. of our foreign commerce was controlled by American vessels; when it closed the percentage of American carriage had fallen to 27.5 per cent. At

the outbreak of the war, where we paid others $1 for ocean transportation others paid us $2, and from the very fact that we did the larger share of our own carrying trade, foreigners were indebted to us on this account. But at the close of the war we paid others $72.50 for ocean transportation where others paid us only $27.50. Hiring foreign ships, where before we hired our own, we created adverse balances on transportation, amounting to not less than $25,000,000 per annum for this period. Thus on the account of ocean transportation we incurred large foreign indebtedness.

Again, with the closing of the war, Americans commenced to travel extensively abroad, and on account of their expenditures in foreign countries we also incurred debt. Such expenses for the period 1861–1869 were estimated by Mr. Wells at $25,000,000 per annum. Finally we have to consider the debt created by the reinvestment of interest on our foreign debt—originating in adverse trade and transportation balances and the expenditures of travelers abroad—as it fell due.

Our Foreign Debt in 1869.

During the period 1861–1869 we, therefore, incurred foreign indebtedness, as given in an able and instructive monograph on our debt abroad by Gen. A. J. Warner, on the following accounts:

Excess of imports over exports, including exports of coin and bullion, from 1860 to 1869 .	$300,000,000
Expended by Americans traveling abroad for the same period	225,000,000
Cost of carrying trade in foreign vessels .	225,000,000
Interest on one-half the above as the average debt for this period	250,000,000
Total	$1,000,000,000

This, it may be urged, does not account for the $1,465,500,000 of foreign indebtedness given by Mr. Wells. But in giving government, state and railway bonds, stocks and real

estate mortgages in settlement, they were for the most part accepted, that is, bought by the European creditor classes at not more than two-thirds of their face value. Consequently, if our debts were taken on the average at only two-thirds of their par value it would have required $1,500,000,000 bonds, etc., to settle $1,000,000,000 of debt. Mr. Wells' estimate is not, therefore, extravagant.

Effect of Discarding Silver.

Since 1869 our foreign debt has grown steadily, and, as by striking down silver we have greatly depressed the prices of our principal articles of export, and depressed them much further than the same action against silver depressed the prices of our imports, it has grown enormously, and at an ever accelerated speed as silver has been driven, step by step, from its place as a money metal. True, our exports have grown in value, and the balance of trade has been much in our favor, but this has been the result of an enormous increase in the quantity of our exports,—the increase in the quantity being more than double the increase in value. If for the greatly increased quantities of our exports since 1873 we had received prices equivalent to those ruling in that year, and had paid prices for our imports equal to those paid in 1873, our foreign debt would long since have been wiped out.

By the demonetization of silver the prices received for our chief articles of export have been more than cut in half, while the prices we are obliged to pay for our imports have not fallen one-third. The difference is our direct loss.

It is because of this depreciation in the prices of our export commodities much further than the depreciation in the prices paid for our imports that our foreign debt has grown so enormously. Only by checking this depreciation and raising the prices of our exports can it be paid. How readily it could be paid by restoring the ratio of prices for our imports and exports to those existing in 1873, we shall show. But, first, as to the growth of the debt.

Cost of Our Carrying Trade.

General Warner estimates the net account against the United States for the years 1870–1895 at nearly $7,000,000,000. Although, on the side of conservatism, General Warner starts out by placing our foreign debt in 1869 at $1,200,000,000, he errs on the side of liberality in placing the cost of the carrying trade at $2,520,000,000, or nearly $100,000,000 a year. In making up this adverse balance General Warner counts the cost of freightage in foreign vessels as imports and in American vessels as exports. This as a general principal is right, and, if American ships carried our exports, a large balance, payable in gold, would be created in our favor; but, as a matter of fact, the freight on our exports should not be added to our adverse balance. To do so is to add it a second time.

In the custom house returns our exports are valued at prices ruling at ports of shipment. These prices manifestly do not bear the freightage. On the contrary, it is the higher price received at the port of destination out of which freightage is paid. The New York exporter buys at market prices in New York, which are the prices at which our exports are valued and appear in our custom house returns, and he looks to the higher price he hopes to obtain in London or Liverpool, to compensate him for freight charges, insurance, commissions, etc. Therefore, as our exports are valued at prices current at port of export, we should not charge freightage on such exports against the United States.

Such charges are really paid by our producers to foreign ship owners, but they are paid indirectly. The freights which the exporter must pay he deducts from the price he offers for the produce of our farms, etc., and in accepting prices that are lower from this fact, *i. e.*, that the exporter must pay the cost of transportation, our producers indirectly pay the freight and liberal commissions beside. As our exports are valued at prices low for these reasons, it is apparent that the freight charges against the United States on exports appear in our merchandise trade balance, our exports appearing considerable less than they would if freights were paid directly by the producer, in which case the reported

value of our exports, including and not excluding the freight as at present, would be considerably higher. The bill of exchange the exporter draws against a shipment of wheat, calls for a larger sum of gold than our producers receive for their grain when they dispose of it to the exporter. It calls for gold sufficient to pay for the grain and for freight and other charges as well as a profit to the shipper. If the grain cannot be sold at a high enough price to warrant the drawing of a bill of exchange against it that will thus recompense the exporter, grain will not be shipped. It is then out of the enhanced price the exporter receives for grain sent to England, over what he pays for it in New York, that he pays the freight. Consequently, the payment of such freight does not make a further drain on our gold than is reported in our trade balance. It is obvious that the carriage by American vessels of any portion of our exports creates a balance in our favor to the amount of freights received.

Enormous Freight Paid Foreign Ship Owners.

We have, therefore, only to consider the freights paid foreign ship owners on our imports in excess of freights paid to owners of American vessels on exports in arriving at the account against the United States. For the years 1870–1895 our imports were valued at about $16,000,000,000 about 20 per cent. of our imports being carried in American vessels and 80 per cent. in foreign. Taking cost of freightage at 8 per cent. of the value of the imports, a very low estimate, the freights paid foreign ship owners during the period would come to $1,024,000,000. Deducting from this freights received by Americans for the carriage of the small portion of our exports controlled by American ship owners, the charge against the United States for the period on account of freights may be put down at $850,000,000.

Growth of our Foreign Debt.

For the years from June 30th, 1870, to June 30th, 1895, inclusive, the excess of merchandise exports amounted to $1,763,-511,916, the net gold exports to $271,190,721, and the excess of

exports over imports of silver to $386,311,625, or a total apparent balance in our favor of $2,421,014,262.

Against this favorable balance we have to charge :

1. Our foreign debt in 1869 estimated by Mr. Wells at . .	$1,465,500,000
2. Interest at 5 per cent. on above re-invested as falling due	3,746,000,000
3. Expenses of Americans travelling and living abroad, esmated at $50,000,000 a year for 26 years	1,300,000,000
4. Cost of carrying trade	850,000,000
(Presuming expenses of travellers abroad and cost of carrying trade to have been nearly balanced year by year by net exports of merchandise, gold and silver, we have assumed interest on one account to have balanced that on the other.)	
Total	$7,361,500,000
Deducting from this the account in our favor	2,421,014,262
We have a balance unpaid and represented by foreign debt of	$4,940,485,738

The above is a fair approximation of our foreign debt incurred since the outbreak of the war—a debt made up almost entirely of interest and other charges not paid when due. If anything, $5,000,000,000 is an underestimate, for it is most probable that our imports have been undervalued, as *ad valorem* duties hold out a great temptation to importers to undervalue their goods. Then, too, our silver, and many of our bonds and stocks have been taken in settlement at considerably less than par value. Often we have given securities of a greater face value than represented by value received.

Since 1870 our foreign debt has, beyond doubt, increased more than three-fold, yet we have actually received no gold, no new capital from abroad. On the contrary, we have sent to foreigners during the period $650,000,000 more gold and silver than we have received, and we have exported $1,750,000,000 more merchandise than we have imported. All this we have sent to pay interest, freight charges and expenses of travelers abroad, yet our debt has increased from $1,465,500,000 to $5,000,000,000, or by more than $135,000,000 a year—this in the face of a yearly tribute of $90,000,000 in the shape of

merchandise, gold and silver. The fall in the value of our exports has made it impossible to meet our foreign charges, and we have been forced to give new notes instead of paying what we owed.

Paying our Debts by piling Mortgage on Mortgage.

Forced by the fall in prices that has made it impossible to pay our debts or even to meet the annual interest in full, we have been driven to place mortgage after mortgage on our property, and involve ourselves further and further in debt. The inevitable result of piling mortgage on mortgage, and interest on interest charge, has been to drive many of our railroads and corporations into bankruptcy, but such bankruptcies have not, as might be expected, resulted on the whole in a reduction of our foreign debt, but, on the contrary, often led to an increase. Nearly every re-organization of a bankrupt railroad has been based, not on a reduction of the debt, but on the issue of new series of bonds and stocks that are given away, in whole or part, as commission to those who, on security of a prior mortgage, advance the money to take up the floating debt. It is the exception when a bankrupt railroad is re-organized without new issues of watered stocks and bonds, and the result is that bankruptcies more often lead to an increase than a decrease of our foreign debt.

Taking our foreign debt at $5,000,000,000, and the interest charge at 4 per cent., we have payments to make abroad of $200,000,000 per annum on account of interest alone. Add to this freights paid foreign ship owners, and the expenditures of Americans living and traveling abroad, and the sum of our foreign annual payments is appalling. Even our great merchandise balances of the last few years, together with large exports of gold and silver, have not proven sufficient to meet the payments on account of our foreign debt, in addition to other charges against the United States, and consequently our debt has gone and goes on increasing, at an accelerated pace from year to year, as interest is added to interest charge.

For the year ending June 30th, 1894, the account against the United States stood approximately as follows :

Account Against the United States.

1894.

Interest at 4 per cent. on $5,000,000,000		$200,000,000
Freights paid foreign ship owners for carriage of 80.6 per cent. of our import trade, or $504,000,000 out of a total of $625,000,000, imported by sea, allowing a charge for transportation equal to 8 per cent. of the value of produce imported	$40,320,000	
Less freights paid American ship owners for carriage of 8.7 per cent. of our exports, or $74,000,000 out of $843,000,000, exports by sea, allowing a charge for freight equal to 12 per cent. of the value of the produce exported	8,880,000	
Balance due foreign ship owners on ocean carriage, calling for export of gold or merchandise in settlement		31,440,000
Expenditures of Americans traveling or living abroad . . .		75,000,000
Total account against the United States		$306,440,000

Account in Favor of the United States.

Domestic exports	$869,204,937		
Foreign exports	22,935,635		
Total exports	$892,140,572		
Less total imports	654,994,622		
Merchandise balance in favor of the United States		$237,145,950	
Net exports of gold		4,528,942	
Net exports of silver		37,164,713	
Total account in favor of the United States			$278,839,605
Balance due and unpaid			27,600,395

Thus, despite our enormous excess of exports our debt grew by $27,000,000.

The picture for the last fiscal year is still worse:

Account Against the United States.

1895.

Interest at 4 per cent. on $5,000,000,000		$200,000,000
Freights paid foreign ship owners for carriage of 84.5 per cent. of our imports, or $590,000,-000 out of a total of $699,000,000, imported by sea, allowing a charge for transportation equal to 8 per cent. of the value of produce imported	$47,200,000	
Less freights paid American shipowners for carriage of 8.2 per cent. of our exports, or $62,-000,000 out of $758,000,000, exports by sea, allowing charges for freight equal to 12 per cent. of the value of the produce exported	7,440,000	
Balance due foreign ship owners on ocean carriage		39,760,000
Expenditures of Americans traveling or living abroad . . .		75,000,000
Total account against the United States		$314,760,000

Account in Favor of the United States.

Domestic exports	$793,392,599		
Foreign exports	14,145,566		
Total exports	$807,538,165		
Less total imports	731,969,965		
Merchandise balance in favor of the United States		$75,568,200	
Net gold exports		31,984,449	
Net exports of silver coin and bullion	$37,674,797		
Less imports of silver ore, not included for 1895 in the general statement of merchandise exports and imports as prior to 1894	10,636,896		
		27,037,901	
Total account in favor of the United States			134,590,550
Balance due and unpaid			$180,169,450

Thus for the last fiscal year we added $180,000,000 to our debt, and on this additional debt interest must be paid in 1896. So for 1896 the interest charge will be something like $207,000-000 instead of $200,000,000. In this way our debt grows, and must continue to grow under the policy of gold monometallism that depresses the prices of our exports.

Not until we return to bimetallism and raise the price of the wheat, cotton, etc., that we export, can we hope to reduce our foreign debt.

The policy of gold monometallism that depresses the prices of our exports to a greater extent than the prices of our imports, is costing us more than $500,000,000 a year on our foreign trade, a sum which should be available to pay an equal amount of our foreign debt, and would be available if we received prices for our exports equivalent to those ruling in 1873.

The comparison of the returns that our foreign trade of 1894 would have brought us, if we had received 1873 prices for our enormously increased exports, and paid 1873 prices for our imports, with the results actually achieved, is appalling.

The figures given in the following tables are not mere estimates, but are based on actual calculations of the comparative prices of sixteen commodities, representing over two-thirds of our exports, and twenty-six articles, representing nearly one-half of our imports; the ratio found between prices ruling in 1873 and in 1894 and 1895, as ascertained on sixteen of our chief articles of export, being taken for the balance of our exports, and the ratio of prices as ascertained by comparing the comparative prices of twenty-six articles of import, being taken as a basis for estimating the value of the balance of our imports.

Fiscal Year Ending June 30, 1894.

At prices equivalent to those received in 1873 our exports of domestic produce amounting to $869,204,937, would have been worth	$1,588,454,638
Re-exports amounting to $22,935,635 would have been worth at prices equivalent to those paid for imports in 1873	31,948,193
Our gross exports which were sold at $892,140,572 would have brought	$1,620,402,831
The same quantity of imports which we imported at a valuation of $654,994,622 would have cost at prices equivalent to those paid in 1873	912,374,814
Leaving a total merchandise balance in our favor of .	$708,028,017
Add net gold exports	4,528,942
Add net silver exports of coin and bullion	37,164,713
Making the total balance that the same amount of effort that we expended in 1894 on our foreign trade would have put to our credit in 1873	$749,721,672
Balance actually due on our foreign trade	278,839,605
Loss on our foreign trade for 1894 directly due to the fall in prices caused by the demonetization of silver	$470,882,067

If we had received the same recompense for our labor and energy expended in our foreign trade in 1894 as we did in 1873, the same sacrifice of our produce that we made in 1894 would have enabled us to meet our foreign charges, such as interest on our foreign debt, etc., and pay off $440,000,000 of the principal, thus reducing the interest charges for 1895 by nearly $18,000,000. But impoverished as we have been by the appreciating gold standard we were constrained to increase our debt for 1894 by probably $30,000,000.

Our losses on our foreign trade for the fiscal year ending June 30th, 1895, caused by the fall in prices since 1873 were still greater.

At 1873 prices our trade balance for the year would have been something like this :

Fiscal Year Ending June 30th, 1895.

At prices equivalent to those received in 1873 our exports of domestic produce amounting to $793,392,599 would have been worth		$1,746,788,683
Re-exports amounting to $14,145,566 at prices equivalent to those paid for imports in 1873 would have been worth		22,272,901
Our gross exports which were valued at $807,538,165 would have brought		$1,769,061,584
The same quantity of imports which we imported at a valuation of $731,969,965 would have cost at prices equivalent to those paid in 1873		1,152,552,587
Leaving a total merchandise balance in our favor of		$616,508,997
Add net gold exports		31,984,449
Add net silver exports of coin and bullion	$37,674,797	
Less imports of silver ore	10,636,896	27,037,901
Making the total balance that the same amount of effort that we expended on our foreign trade in 1895 would have put to our credit in 1873		$675,531,347
Balance actually due on our foreign trade for 1895		134,590,550
Loss on our foreign trade for 1895 directly due to the fall in prices caused by the demonetization of silver		$540,940,797

Thus, if we had received 1873 prices for our exports, and paid 1873 prices for our imports, the amount of effort that we expended in 1895 in our foreign trade would have resulted in a decrease in our foreign debt of nearly $400,000,000 instead of an increase of $180,000,000, and a decrease in our interest charges of nearly $16,000,000 instead of an increase of $7,000,000.

The Issue of United States Bonds.

Gold-monometallism has brought us to the humiliating position where sundry stocks and bonds no longer being acceptable by foreigners in payment for indebtedness, our national government has been reduced to the necessity of issuing its own bonds. Individual or corporation credit no longer being acceptable, Mr.

Cleveland has humbly pledged the national faith and issued $262,000,000 of bonds. Our foreign creditors have become the dictators of our policy.

Issue to us government bonds in payment of the debt due us or we will take gold. This is the threat of our foreign creditors, to which Mr. Cleveland has given way, and issued bonds, and been applauded for his submission by those with alien interests.

It is for the American people to decide whether this increase of debt is to go on or not. If our debt is permitted to go on increasing it can end only in the abject slavery of our producing classes, and this at no distant date, for our property of all kinds is rapidly passing into the hands of foreign capitalists. Already the American government is submissive, and willingly submissive, to the dictates of our foreign creditors.

Under the gold standard our debt must go on increasing, for under the gold standard prices must continue to fall, and as prices fall we are called upon to export a greater and greater quantity of produce, more bushels of wheat and corn, more pounds of cotton, to meet fixed charges, such as interest, that call for as many dollars whether produce is high or low.

There is only one way to stop the growth of our debt, and that is—stop the depreciation of the things that go to pay debts, and this can be done only by abandoning the gold standard. Only by returning to bimetallism can we preserve our financial and industrial independence, escape dependence on foreign money-lenders, and the degradation and virtual enslaving of our producing classes.

CHAPTER XVI.

The Wage-Earner's Interest in Bimetallism.

The wage-earner not benefited by falling prices, which cut into the profits of industry, lead to curtailed production, the throwing of wage-earners out of work and lower wages.—Wages and profits derived from the same fund,—a fund derived from the sale of the products of labor.—Hence a fall in prices cuts into this fund and of necessity reduces profits and wages.—Losses to employers mean lack of employment and lower wages for wage-earners.—Great losses of our farmers from falling prices.—Lead of necessity to reduction of farm wages.—The fund out of which wages are paid derived from goods sold at wholesale.—Hence the rate of wages is ultimately dependent on wholesale prices.—Consequently as prices fall the employers' ability to pay high wages is impaired.—So the efforts of organized labor have only availed to momentarily check the fall in wages and with the result that nominal wages have not fallen as fast as wholesale prices.—But it is at retail the wage-earner must spend his wage, and retail prices have been the last to fall.—Consequently the wage-earner has been grievously injured by the fall in prices.—The wiles of the gold monometallists.—Posing as philanthropists.—Baseless assumptions that the free coinage of silver would rob every wage-earner by obliging him to take a fifty-cent dollar in payment for his wages and cut the value of all deposits in savings funds in half.—The appreciation of gold endangers the deposits placed with savings funds and leads to a reduction of the rate of interest paid to depositors.—Interests of the wage-earners best conserved by bimetallism.—The money cliques alone profit from an appreciating dollar.

When the condition of the labor market is such that two wage-earners are obliged to run after the same employer and to seek to fill the same position, wages are low, the comforts of life are unknown to the wage-earner, and he is ever on the verge of starvation. When, on the contrary, the demand for labor is such that two employers seek to secure the services of the same wage-earner, wages are high, and the wage-earner, fully employed, producing much and receiving a fair share of the product of his labor, enjoys in an increasing degree the comforts of life and lives a life of hope and promise.

As prices of commodities are fixed by the law of supply and demand, so the rate of wages is fixed by the relation between the number of wage-earners seeking employment and the number of employers seeking their services. Whenever the supply of an article outruns the demand, either through an increase of production or a falling off in the demand, the result is a fall in price, for the market being restricted and not broad enough to absorb

at old prices the total supply, every producer strives to secure a market for his product by underselling his competitors. And on the other hand when, either as the result of an increasing demand or of decreased production, the demand for an article outruns the supply, the result is a rise in price, for whenever the supply is not sufficient to meet the demands of all, there is competition among purchasers, who seek out the seller and bid against one another for his produce, just as when the supply exceeds the demand and there are not sufficient purchasers to absorb the whole supply, producers are forced to seek out the buyers and underbid one another in an effort to dispose of their products.

Thus it is that prices fall as demand is restricted and rise as trade expands and the demand for goods increases. And so it is that wages fall as chances for employment are restricted, consequent on curtailed production, and rise with increased production, which means increased demand for labor.

Lower Wages must follow Curtailed Production.

Consequently, when production is curtailed, when employment is slack, and when many willing wage-earners are out of work, wages are low. The wage-earner has his services for sale, and time lost in idleness is loss of wealth which can never be regained. The wage-earner, therefore, can ill afford to remain in idleness. So when production is curtailed and many are thrown out of work, those having no longer any employment, and having the most perishable of all salable things—their time—for sale, are irresistibly impelled to look for work, and strive to supplant their more fortunate fellow-workmen. Consequently, they seek out not only those employers who have need of the services of additional wage-earners, but those who have no need of more help, or places to fill, as well. The result is, that as many wage-earners seek to fill the comparatively few vacant places, they underbid each other in the fierce struggle for work, while those who are unsuccessful offer their services at lower rates to other employers having no need of additional hands in the hope of supplanting those already employed, with the result that

wages are everywhere forced down. And the further production is curtailed, the further wages will fall, until finally they are reduced to a starvation level and the wage-earning classes reduced to a condition of constant misery and despair. Misery, distress and unrest are inseparable from curtailed production, for curtailed production means lack of employment, and lack of employment forces wage-earners to underbid each other for work in a veritable struggle for existence.

Large Profits Make High Wages.

The prosperity of the wage-earner is dependent on his ability to sell his services promptly and at good wages. He can do so only when there is a growing demand for his services, when there is no lack of employment, and when, instead of being forced to underbid his fellow wage-earner for work, as is ever the case when production is being curtailed, employers needing his services are bidding against one another to secure them,—in short when there is competition among employers for workmen instead of competition among wage-earners for work.

Manifestly, therefore, that policy will best conserve the interests of the wage-earner that will lead to the greatest demand for his services. The question of prime importance to the wage-earner is what will bring about the greatest demand for his services; what will induce employers to bid against one another for his services. And to this question there can be but one answer. That policy which best promotes the interests of employers, and makes the profits of industry large, will make the greatest demand for labor, result in making wages higher, in ameliorating the condition of the wage-earning classes, and hence best conserve their interests.

Interests of Employer and Wage-earner Identical.

The profits of the employer and the wages of his employees are derived from the same fund, a fund derived in turn from the sale of their joint product. The larger this fund, the greater the sum to be divided, and consequently the greater profits and the higher

wages. By striking at the profits of industry we strike at the source of wages, yet this is the advice gold-monometallists give to the wage-earner, in preaching that falling prices are beneficial to the wage-earner, though they may be harmful to the employer. The employer, with his own or borrowed capital, buys the raw materials, and advances the wage-earner his pay; in effect buying out the laborer's interest in the joint product in advance. To the price ultimately received for the finished product the employer looks for recompense for the wages advanced, the moneys expended in purchasing raw material, and interest on his capital. If the price he can command for the product will not suffice for this he will be worse off after marketing his products than before he set in motion the wheels of industry, and naturally he will cease production.

Wages are taken, as it were, from a reservoir of capital, the reservoir being replenished by the proceeds derived from the sale of the product. The gold-monometallists teach in effect in their demagogic appeals to the workman, that this reservoir can be drawn upon, and not replenished to a like amount. If, as the result of falling prices, this reservoir is not fully replenished by the proceeds of the sale of the product of the joint industry of labor and capital, but becomes gradually depleted, the employer prefers to stop production, for with production stopped and both inflow and outflow prevented, his capital invested in productive industries, allegorically his reservoir, is only depleted by accumulating taxes and interest charges.

Effect of Falling Prices on Wages.

It is indisputable that anything which cuts into the profits of industry will destroy the incentive to production, and lead to curtailment of production, the throwing of wage-earners out of employment, and consequently lower wages. Nothing is so destructive to the profits of industry, and consequently so sure to result in curtailed production and lack of employment for wage-earners, as a continuous fall in prices, resulting not from any improvements in production, but from a continuous lengthening

of the monetary yardstick in which all prices are measured. And just such a lengthening of our monetary yardstick has been brought about by demonetizing silver, thus curtailing the supply of money and causing gold to appreciate with the constantly increasing demands of a growing population.

For more than twenty years the length of our monetary yardstick has been growing, and prices as steadily falling—a fall that during the last five years has been specially marked and rapid, and consequently especially disastrous. The monetary yardstick, in measuring the prices received for the products of our farms and factories, has nearly doubled since 1873. It has lengthened by nearly fifty per cent. during the past five years. But in measuring the cost of production it has lengthened in no such degree. The farmer gets but half what he did twenty years ago for his produce; but the cost of production has not materially diminished, and it can be said, without fear of contradiction, that during the past five years, although the fall in prices has been very rapid, amounting between January, 1891, and April, 1896, to over 36 per cent. in breadstuffs, to nearly 32 per cent. in live stock, to 27 per cent. in raw and manufactured textiles and to 33 per cent. in metals, the real cost of production,—the expediture of labor and energy in production,—both on farm and in factory, is as great to-day as then. Such a fall in prices means, therefore, curtailed profits for our farmers and manufacturers. It means more. In many cases it means production can only be carried on at a loss. Consequently we find production curtailed relatively to the increase of population, if not absolutely ; we find curtailed employment for labor, lower wages and increased idleness.

Losses of the Farmer from Falling Prices.

In 1872 the acreage of our cereal crops, corn, wheat, oats, barley, rye and buckwheat, was 68,280,197 acres, and the farm-value of our cereal crops $874,594,459, the average value of the yield per acre being $12.81. In 1895 the acreage of our cereal crops was 149,955,163 acres, the farm value $1,017,316,936, and the average value of the yield per acre $6.78, the value to our

farmers of every acre of cereals harvested in 1895 being $6.03 less than in 1872. If the money yield per acre had been as great in 1895 as in 1872, if the farmers had been as fully recompensed in 1895 for their labor expended in raising cereals as they were in 1872, they would have received $900,000,000 more for their cereal crops in 1895 than they did.

In 1871–2 the yield of cotton in the United States was 1,384,084,494 pounds and the farm value $288,300,000. This, however, was a short crop. In 1872–3 the yield was 1,833,188,-931 pounds, and the value $301,087,500. For the year ending June 30, 1895, the yield was 5,036,964,409 pounds, and the farm value $262,426,000; for the year before, an average year, the yield was 3,769,381,478 pounds, and the farm value $263,857,000. The cotton crop of 1894–5 was nearly three times as large, and the cotton crop of 1893–4 more than twice as large as the cotton crop of 1872–3, yet the money value was less. The cotton acreage for 1894–5 was more than twice the acreage for 1872–3, but the value of the crop was $40,000,000 less. Making all due allowance for the effect on the price of cotton of the extraordinary crop of 1894–5, the largest on record, and taking the 1893–4 crop as a basis for comparison, we are forced to the conclusion that the loss of income to our cotton planters caused by the fall in the price of cotton, and directly due to the competition with the cotton of silver-using countries engendered by the fall in the gold price of silver, has not been less than $350,000,-000 annually for the two years ending June 30th last.

The number of horses in the United States, January 1, 1896, was 64 per cent. greater than on January 1, 1873; of mules, 74 per cent. greater; of milch cows, 53 per cent. greater; of oxen and other cattle, 93 per cent. greater; of sheep, 16 per cent. greater; and of swine, 31 per cent. greater, yet the total value of farm animals was 3 per cent. less on January 1, 1896, than January 1, 1873. As we have shown elsewhere, [page 141] if the value of farm animals per head had been as great January 1, 1896, as it was January 1, 1873, the value of farm animals January, 1896 would have been between $2,600,000,000 and $2,700,000,000 instead of $1,600,000,000, and assuming the

value of farm animals is realized by those raising live stock once in four years, this represents a loss to the farmers on account of the fall in live stock as compared to prices in 1872 of not less than $250,000,000 for the one year 1895.

Thus we have seen that because of the fall in prices since 1872, directly due to the demonetization of silver, the farm value of cereals was $900,000,000 less for 1895 than it would have been, the value of the cotton crop to the planter $350,000,000 less, and the loss to those raising live stock not less than $250,000,000, or a sum of $1,500,000,000 on agricultural products, representing three-fourths of the total value of farm products. In other words, if the agricultural classes had received proportionately the same reward for their labor expended in raising cereals, cotton and live stock, in 1895, as they did in 1872, the value of their products would have been about $3,150,000,000 instead of $1,650,000,000.

The Wage-earner not Benefited by Falling Prices.

Receiving, because of the fall of prices $1,500,000,000 less than they otherwise would, it is obvious our farmers had this much less to spend than they would otherwise have had. The fall in prices that has caused this falling off in the value of farm products and the resulting decrease in the money recompense received by the farmer is indisputable, but we are told the farmer is recompensed for the fall in prices of what he sells by a commensurate fall in price of what he buys. We are further told that, although the nominal wage of the wage-earner may have fallen, the real wage, the purchasing power of his wage, has increased during the past few years, and that he has therefore been greatly benefited by the fall in prices.

If it were true that the prices paid by the workman for what he buys had fallen faster than his wage, it is clear the wage-earner would be better off. But such has not been the case. Indeed such a condition, whereby the wage-earner would be benefited by an artificial fall in prices caused by the appreciation of gold, is as economically impossible as it is palpably false.

The truth is, when the employer suffers loss of income, the wage-earner must suffer loss of wages ; for the price the farmer or manufacturer receives for his products is the fund out of which labor is paid, and consequently the lower the prices the employer of labor receives for what he sells, the lower wages must he pay. What injures the employer of labor, the farmer, the manufacturer, must injure the wage-earner. The distress and absolute destitution of many among the wage-earning classes at this time, is standing and indisputable evidence of this fact.

Farmer and Wage-earner.

Our farmers and planters receiving, because of the fall in prices, but $1,650,000,000 for the products already spoken of, instead of a sum of $3,150,000,000, such as they would have received last year, if prices were realized as remunerative as those obtained in 1872, it is evident that they have sustained, because of the fall in prices, a loss of income of $1,500,000,000. And, receiving $1,500,000,000 less for these products, it is further evident they cannot pay the same wages to their help, that they have less to spend for manufactured goods, and that, consequently, the demand for manufactured goods has been curtailed, causing lower prices and leading to lower wages for factory hands.

The farmer must meet all his charges out of the money he receives for the products he sells, and being of necessity, to a greater or less degree, burdened with fixed charges, such as interest, taxes, etc., that call for dollars, not produce, the farther prices of farm products fall, the greater will be the proportion required to pay these charges, and the smaller will be the sum left, proportionately to the whole, out of which he must pay his help and recompense himself for his labor. For instance, the farmer who raised produce which he sold for $4,000, and having an interest charge and taxes to meet calling for $400, had $3,600, or 90 per cent. of the total quantity of his produce, to pay for purchases of tools and supplies and to be divided between his help as wages and himself as profit. But when

prices fall, so that the same quantity of farm products that before brought $4,000 now bring but $2,000, it takes 20 per cent. instead of 10 per cent. of the total product of the farm to meet the fixed charges, leaving but 80 per cent. of the total product of the farm which the farmer has to divide between his help and himself, thus forcing down wages and his own profits to a degree even greater than the fall in prices.

Wages fixed on a basis of Wholesale Prices.

But even the more fortunate farmer who is not in debt is impoverished by falling prices, for the prices of the products which he sells are bound to fall faster than the prices at which he buys, for he sells at wholesale prices and is obliged to buy at retail, and retail prices are of necessity the last to fall while wholesale are the first. And this also directly affects the wage-earner. The employer of labor, whether he be farmer or manufacturer, almost invariably sells his products at wholesale prices, and it is out of the fund thus realized from sales at wholesale prices that wages are paid. Consequently wages are dependent on wholesale prices.

It is true nominal wages do not fall as fast as wholesale prices, for the wage-earner resists cuts in wages, but finally wages do and must fall, for as prices fall, reducing the fund out of which wages are paid, the employer will reduce wages, or, failing in this, close his mill or factory, for in the long run the employer cannot and will not pay wages out of his own accumulations. If the price received for the product is not sufficient to recompense the employer for his outlay for raw material and wages and leave a profit over incidental expenses he will have no incentive to production, always excepting the owners of those mills and factories the machinery of which rapidly deteriorates in idleness, and who, consequently, will struggle on to keep their mills open even at a loss.

Organized labor has resisted the efforts of employers to cut wages with the result as we have said that nominal wages have not fallen as far as wholesale prices, and from this some gold

contractionists have drawn the conclusion that the wage-earner has been benefited by the fall in prices and that the purchasing power of his wage has increased. Such a statement can only find credence with those who are ignorant of the condition of the wage-earning classes. The growing distress, misery and unrest among the wage-earning classes is conclusive proof that they have not been benefited by falling prices. The truth is that though nominal wages have not fallen so fast nor so far as wholesale prices, they have fallen during the past five years, and of necessity, in a marked degree, for the proceeds received by the farmer and manufacturer for their products sold at wholesale, constitute the fund out of which wages are paid. And the further this fund is reduced as a result of lower prices received by farmer and manufacturer, the lower must wages fall.

So we find, when prices are falling, not only the nominal wage rate falling, but the income of the wage-earner further cut into by short hours and idleness.

But spent at Retail Prices.

Enforced idleness resulting from curtailed production has made as great an inroad into the income of the wage-earning classes in general as the nominal fall in the wage rate. But finally, and this is of supreme importance to the wage-earner, retail prices fall much after and not so far as wholesale prices, and as wages fall as a result of a fall in wholesale prices so retail prices fall only as a result of a fall in wages. It is at retail prices that the wage-earner must spend his wages, and consequently the purchasing power of even his nominal wage has actually fallen with the fall in prices. His house rent is only remotely affected by falling prices and does not fall with the resulting fall in wages, and house rent is a very large item. Then the wage-earner buys his bread at the bakery, and the loaf of bread does not fall in price with the fall of wheat which impoverishes the farmer, or he buys flour in small quantities at the corner grocery, where he also buys other provisions. But it is long after the price obtained by the farmer for wheat and the miller for flour has fallen before

the corner groceryman can reduce the price of the bag of flour, for he always has on hand a supply of flour while prices are falling, which indeed he could replace at lower prices, but for which he may have paid considerably higher, and unless he can keep up the retail price much after the wholesale price has fallen, and until he can dispose of what he bought at higher prices, he will be out of pocket. And so it is with other groceries and all goods bought at retail.

Consequent Impoverishment of the Wage-Earning Classes.

Then there is one other effect of reduced wages on the purchasing power of wages that is often overlooked. As wages are cut and house rent and other necessary and more or less fixed charges take a greater portion of the whole wages received, the wage-earner is left with less ready money, and having less ready money he is obliged to buy from hand to mouth, which greatly adds to the cost of what he buys, for the smaller the quantity bought the higher the price. Thus the cost of living is relatively the greatest to the poorest, the cost of food and fuel increasing with the necessities of the purchaser, obliged, because of lack of ready money, to buy in infinitely small quantities and to pay exorbitant rates.

The wage-earner prospers when prices are rising, for then it is that his employer prospers. Then it is that he receives the best wages, and then it is that his wages go farthest and his command over the comforts of life is greatest. When prices are falling and when the profits of industry are decreasing, then it is that employment is slack and wages low, while even the purchasing power of the smaller wage grows relatively less and less.

Bimetallism Means Prosperity—Monometallism Poverty.

All producing classes prosper together and they suffer together. Prosperity lies in rising prices, and adversity, losses, suffering, in falling prices. To check the fall in prices should therefore be our one great aim, for while prices are falling progress is impossible and civilization is at a stand-still. The fall in

prices during the last twenty years has been artificial, and to check the fall we must remove the artificial cause, namely, the appreciation of gold.

The statement of the gold-monometallists that the interests of the wage-earner are best conserved by an appreciating dollar is a baseless assumption.

As the interests of the wage-earner are best promoted by that policy which, making production most profitable, leads to increased production and increased demand for labor; as falling prices destroy the profits of industry and lead to curtailed production; and as so long as we adhere to the gold standard resulting in a growing scarcity of money, prices must continue to fall, it follows, of necessity, that the interests of wage-earners will best be conserved by a prompt return to bimetallism. The restoration of bimetallism by opening our mints to silver will supply a much needed addition to our currency, will check the appreciation of gold, will result in removing the bounty on exports to gold-using countries in the shape of a premium on gold which our silver competitors now enjoy, and higher prices for our agricultural and manufactured products will follow, resulting in increasing the profits of industry, leading in turn to increased production, increased demand for labor and higher wages and prosperity to our wage-earning classes.

The Gold Contractionists Posing as Philanthropists.

But it is only natural, as the elections approach, and the gold-monometallists have need of the votes of the wage-earning classes in support of their schemes of contraction, that they should evince great concern for the welfare of the working classes. From the numerous pamphlets and articles that are written and scattered broadcast over the country, and from the speeches that are made in advocacy of the gold standard, it would appear that the sole motive of the gold contractionists in urging the maintenance of the gold standard is their desire to serve the interests of the wage-earning classes and to secure the wage-earner against losses from the payment of his wages, and the repayment of his

savings deposited with the savings funds, in a depreciated dollar.

On the eve of a presidential election the money cliques would fain have us believe that in their advocacy of an appreciating dollar they are prompted solely by a desire to promote the interests of the wage-earinng classes, that thay advocate the maintenance of the gold standard primarily from a desire to secure the wage-earner a just recompense for his labor and payment in the best dollar, and not to promote their own interests, and that in supporting the policy of gold-monometallism they are looking after the interests of the wage-earning classes, not their own.

We fancy that the advice of the money cliques will be little heeded by the wage-earner, for the wage-earning classes have not found centralized capital to have been considerate of their interests in the past, and they will be prone to look askance on advice coming from those who, in their blind pursuit of increased wealth, have paid little or no regard for the welfare of the working classes, and who have invariably treated the wage-earner as a mere unfeeling instrument to be used in the struggle for the accumulation of wealth. Yet the money cliques who have bent their energies to the organization of trusts and monopolies with a view not only of raising the price the wage-earner pays for the necessaries of life, but with a view to depressing wages and thus enlarging their profits at the expense of the wage-earner, are now prone to pose as advocates of an appreciating dollar from pure philanthropic motives and from a desire to promote the welfare of the wage-earning classes.

In urging the wage-earning classes to support the gold standard the gold contractionists address themselves to the pockets of the wage-earner. They brazenly assert that the opening of our mints to silver would result in robbing every wage-earner of half his wages, and cutting the savings of every working man or woman deposited in the saving funds in half. They declare that the wage-earner would be obliged to take his pay in fifty-cent dollars ; that with the depreciation of the dollar prices would rise, but that wages would not, and consequently that the purchasing power of the wage of every wage earner would be greatly reduced, to his infinite injury.

Prosperity of the Wage-earner bound up with Bimetallism.

On the opening of our mints to silver, prices would rise assuredly. But would this result in injuring the wage-earner? Assuredly it would not. Falling prices stifle industry, they make production unprofitable, cause producers to curtail production, and thus reduce the demand for labor. On the contrary, rising prices encourage industry, stimulate production and lead to increased demand and higher wages for labor. With a dollar that has steadily appreciated, a dollar that has appreciated fifty per cent. within five years, wages have fallen, employment has become slack, and many have been reduced to enforced idleness. It is a two-hundred-cent dollar that now stifles industry and checks enterprise, not the fear of a fifty-cent dollar. It is from low prices that we suffer, not from the fear of high.

Restore bimetallism and thus check the appreciation of gold, and just as money becomes more plentiful, prices will rise, and with rising prices production will be stimulated, there will be increased employment and wages will rise. Therefore it is that the wage-earner will be greatly benefited, not injured, by a return to bimetallism. To talk of obliging the wage-earner to take his pay in fifty-cent dollars is absurd, for there would be no fifty-cent dollar. Prices would rise and wages would rise. Wholesale prices would be first affected; they would be the first to rise. And as wholesale prices rose, the employer would be in position to pay higher wages, and he would pay higher wages just as the fund out of which labor is paid increased, for as prices rose his profits would become larger, he would strive to increase production, and to do so he would be obliged to secure more workmen and pay higher wages. Finally, as wages rose and the stock of the middlemen bought at lower prices was exhausted, retail prices would rise, but they would rise after wages. Further, a large part of the income of many wage-earners goes to pay comparatively fixed charges, such as rent. Consequently, as wages rose consequent on an increased demand for goods and increased wholesale prices the purchasing power of the wage of the wage-earner would increase, and the condition of the wage-earning classes would be ameliorated.

The two great stock-in-trade arguments of the gold contractionists, which they are using in and out of season, are, 1, that the opening of our mints to silver would rob every wage-earner by obliging him to accept a fifty-cent dollar in payment for his labor; and 2, that the "savings of the poor," as represented by deposits in the savings funds, and for the safety of which the gold contractionists have suddenly shown so much concern, would be cut in half should we return to bimetallism. To the first and absurd contention of the gold monometallists that the free coinage of silver would reduce the purchasing power of the wage of the wage-earner, we have already referred at length.

But how about the savings of the wage-earning classes. Would they be cut in half by opening our mints to silver? We answer, assuredly they would not.

The Saving Funds and Their Depositors.

The deposits in the savings funds of the United States amount to upwards of $1,800,000,000, divided among over four and three-quarter millions of depositors. Would these deposits be jeopardized by a return to bimetallism? Not in the least. On the contrary, the appreciating gold standard which is sapping the prosperity of the country must, if persisted in, inevitably result in entailing great losses on the depositors of savings funds, for as profits are reduced and those to whom the savings funds have loaned the money entrusted in their care fail to earn, and are unable to pay, the interest on, or to repay the loans, the ability of the savings funds to pay interest to their depositors will be curtailed, and the value of the securities on which they must depend to repay depositors destroyed.

Yet in April last an officer of one of Philadelphia's leading savings funds and an ardent advocate of the gold standard, Mr. C. Stuart Patterson, addressed the students of Lehigh University in these words: "Here and everywhere, now and at all times, I shall raise my voice in protest against any policy which will tend to diminish the just wages of workingmen or to lessen the

value of securities in which their savings are invested." On these grounds he urged the maintenance of the gold standard, but what can more certainly result in diminishing the value of the securities in which the savings funds have invested the savings of wage-earners entrusted to their care than an appreciating dollar, and what will more certainly result in reducing the rate of interest that savings funds can earn for and therefore afford to pay such depositors?

Their Interests not Conserved by an Appreciating Dollar.

The value of the securities which the savings funds hold, whether railroad bonds, or farm mortgages, or mortgages on improved city real estate, depends upon the ability of the railroads issuing the bonds, or the farmer or builder executing a mortgage to earn and pay the interest thereon. The greater the earnings of railroad or farmer and the greater the excess of earnings in excess of interest charges, the more secure is the payment of such interest, and consequently the more valuable and the more readily salable the security, whether it be railroad bond or other mortgage. Nothing cuts into the profits of industry so much as falling prices, and consequently nothing so impairs values, so reduces the ability of producers who have mortgaged their property to earn and pay interest, so rapidly absorbs the margin of profit over and above interest charges, and thus so certainly impairs the value of securities and mortgages as falling prices.

Falling prices have so eaten into the profits of farming that farmers who have mortgaged their farms have found it impossible to earn and pay the interest, and the savings funds that have invested a large part of the funds entrusted to them in such mortgages, have found by bitter experience, and to the cost of their depositors, that an appreciating dollar does not, in the long run, redound to their advantage or add to the value of their securities. In such cases the savings funds have foreclosed the mortgages on the farms, they have come into possession of the property, but farming being unprofitable, they have been unable to sell the farms and thus realize on the security, they have been unable to

make the farms yield them any return, and they have been, in many cases, obliged to make an outlay to pay the taxes, and thus keep the title clear on a property that was once valuable, but which, as money has appreciated and prices have fallen, has become valueless.

And as falling prices make production unprofitable and thus bring about curtailed production, the demand for transportation services falls off with falling prices, and thus we find that falling prices eat into the profits of railroads, eat into their ability to earn and pay interest, and thus impair the value of their securities. So it is not surprising that we find that of the capital stock of our railroads amounting to $4,834,075,659 on June 30, 1894, as stated in the report of the Inter-State Commerce Commission for 1895, $3,066,150,094, or over 63 per cent., received no return, no dividend whatsover, and that of the $4,593,931,754 of mortgage bonds issued, interest was in default on $650,573,789, or nearly 15 per cent. of the whole. And just as the margin of net earnings of any railroad over and above fixed charges falls, the value of the mortgage securities falls, for it presages a default of interest if conditions do not improve.

It is true that those securities on which interest seems secured, appreciate in value just as money appreciates, and thus appreciating money momentarily redounds to the apparent profit of saving funds which have been so fortunate as to invest only in such securities. But as prices go on falling and production becomes less and less profitable, the circle of so-called gilt-edged securities grows narrower and narrower, the savings funds, with other investors, have a narrower and narrower choice of securities in which to invest their money, and the competition among them results in reducing interest rates, so that savings funds are glad to invest to-day in municipal loans at 3 and 4 per cent. where they readily got 5 or 6 per cent. twenty or thirty years ago. And receiving a low rate of interest on their investments they can only afford to pay a low rate of interest to their depositors.

So we find depositors of savings funds adversely affected by an appreciating dollar, although it may add to the value of some securities held by the savings funds : First, in that it impairs the

value of the securities in which their moneys have been invested and thus jeopardizes their deposits, especially in such savings funds as have loaned their money to productive enterprises in the expectation of securing a higher rate of interest than municipal loans offer ; and second, in that it has forced down the interest rate at which the savings funds can invest in so-called gilt-edged securities, and thus forced them to reduce their interest rates to their depositors. And the further prices fall, the further this process will be carried.

True Interests of Savings Fund Depositors.

Restore bimetallism, and thus raise prices, and at once industry will become more profitable ; securities which savings funds now hold and the value of which has been impaired through the curtailed profits of industry and the resulting inability of debtors to earn and pay interest, will again become valuable, demand for money in productive industries will increase, thus drawing money from the financial centers, where it has sought and will seek, so long as prices show a tendency to fall, investment in that narrow circle of securities interest on which seems assured ; consequently, interest rates will rise, the savings funds will be able to loan their money at more remunerative rates, and thus will gradually be enabled to pay higher rates of interest to their depositors.

Therefore, the interests of depositors of savings funds will best be conserved by a return to bimetallism. Pursuit of the gold standard will place them in jeopardy, for no creditor can profit by ruining his debtor. Momentarily, the creditor may profit from an appreciating dollar and falling prices ; but sooner or later, an appreciating dollar must force the debtor into bankruptcy, and the creditor will find the appreciating dollar that has ruined his debtor will redound to his own ultimate loss. True, the creditor may take possession of the property of his debtor ; but the same disastrous fall of prices that made it impossible for his debtor to earn and pay the interest, will make it equally impossible for the creditor to get any remuneration out of the property.

There is only one class that can profit by an appreciating dollar, and that is the speculative class that manipulates in credits, and thus is enabled, after having taken the property of their debtors by foreclosure, to expand credits momentarily, and thus lead to a temporary rise in prices, on which they can unload the property they have taken from their ruined debtors. The great purpose of speculative cliques is not to secure a constantly-appreciating dollar, but rather a dollar which they can control and cause to fluctuate at will, in which event they could raise or depress prices at pleasure. Nothing would be so advantageous to them, or so disastrous to producers in general, as an irredeemable paper currency over the volume of which they had complete control.

CHAPTER XVII.

Efforts of the Banks to Control the Currency.

The drain on our gold cannot be prevented by the retirement of greenbacks and treasury notes and the substitution of bank currency.—It would merely transfer the drain from the treasury to the banks.—Against this drain the banks could only protect themselves by contracting their issues of currency and loans.—This would force down prices, check imports and stimulate exports.—In no other way under the gold standard can gold payments be maintained.—Such a course must ruin the producing classes, force the customers of banks into bankruptcy and inevitably lead to the suspension of the banks themselves.—Yet the banks are opposed to bimetallism.—The real purpose of the banks in advocating the gold standard is to secure control over the currency.—This accomplished they would court suspension of gold payments.—It would place the producing classes at their mercy.—Banks a power for evil or for good.—As engines of speculation.—Our national banking system leads to the keeping of the reserves of the country banks on deposit with the banks of New York.—Dangers of this practice. Such reserves give no real security to depositors.—Clearing House Certificates and their abuse.—Shortcomings of our banking system.—An elastic currency based on interest rates anything but beneficial.—Dangers of treating deposits of credit and money alike.—Our banks controlled by speculative cliques.—The government should guard over the measure of value even more scrupulously than it guards over the measures of weight and quantity.—Must not surrender this sovereign power to the banks.

It is somewhat surprising that those who never tire of prating about the inflation of our currency, who attribute the export of gold to the redundancy of our money, and who insist on the retirement of the greenbacks and Treasury notes as the only remedy for our financial ills, should propose that just as the paper issued by the government should be retired, bank currency should be substituted in its place. What is to be gained by the mere substitution of one form of paper money for another is not clear. If, indeed, as the gold-monometallists insist, our currency is inflated, if our volume of money is redundant, if our monetary system is top-heavy, then the retirement of greenbacks and Treasury notes and the issue of banknotes in their place is no remedy. If, indeed, as the gold contractionists tell us, a redundant currency is the source of our financial tribulations, the logical remedy is to be found in contraction, but what can be gained by the retirement of one form of redundant currency to make room for the substitution of another form of currency equally redundant? Why, from the standpoint of the gold-

monometallist, defeat the purpose of retiring the greenbacks and Treasury notes by the issue of bank currency?

The gold-monometallists tell us our currency is redundant, which is equivalent to saying that prices are too high, and they tell us the drain on our gold for export can only be prevented by contracting our currency, which is to say that only by forcing prices down to a point where our foreign creditors will take our commodities in preference to gold, can we prevent the drain on our gold for export. Loans of foreign bankers to their American agents may temporarily check gold exports, but no permanent check can be put to gold exports until we export sufficient produce in value in excess of our imports, to pay the interest on our foreign indebtedness, freights to foreign shippers, and the expenses of Americans abroad.

Cost of the Gold Standard.

To prevent the drain on our gold for export, we must, then, either increase our exports or decrease our imports, or both. And if we are to adhere to the gold standard, this can be done in only one way. In short, we must depress prices to a point where exports will be stimulated and imports checked. We must offer our cotton and wheat at lower prices than cotton and wheat are offered in the European markets by our competitors, and thereby induce foreigners to take our wheat and cotton in enlarged quantities. Thus, and thus only, under the gold standard, can exports be stimulated. True, lower prices mean increased distress, if not abject poverty, ruin and bankruptcy to our agricultural classes, but the impoverishment and degradation of our producing classes is the price we must pay for the gold standard.

That the gold-monometallists should demand the contraction of our currency by the retirement of our greenbacks and Treasury notes is therefore logical. The consequences of such a course are appalling, but only by a course that will force prices constantly lower and lower can the gold standard be maintained.

Folly of Substituting Bank Notes for National Currency.

Yet, while the gold-monometallists speak of the redundancy of our currency and advocate the retirement of the greenbacks and Treasury notes as the remedy for such redundancy, they tell us no contraction of our currency is intended. They propose that as the greenbacks and Treasury notes are retired, bank currency be substituted, filling the place made void by the funding of the greenbacks and Treasury notes. They complain of the evils of a redundant currency, yet after funding the greenbacks and Treasury notes, after shouldering on the country an interest-bearing indebtedness of $500,000,000 with a view to contracting our currency, they propose to issue bank currency in the place of the greenbacks and Treasury notes so retired, and thus leave our currency just as redundant as before.

Why they should advocate this contradictory policy of contraction on the one hand and expansion on the other, is, however, not inexplicable. The advocacy of a policy designed to lower prices must needs be unpopular and excite strenuous opposition, and it is perhaps as a matter of policy and conciliation that they advocate the issue of bank currency to fill the place of retired greenbacks and Treasury notes so as not to lead to any contraction.

If bank notes were thus issued there would be no contraction, there would result no fall in prices, no check to imports, no incentive to increased exports, and the drain for gold for export would be as great as ever. The only difference would be that the drain would fall on the banks, not the Treasury. The exporter of gold would present to the banks their notes for redemption, just as he now presents greenbacks and Treasury notes at the New York sub-treasury.

Difficulty of Maintaining Gold Payments.

And how could the banks protect themselves against this drain? We are told they would raise interest rates and contract their loans. The effect would be to force down prices, to check imports, and no doubt lead to increased purchases of

our produce by foreigners. This would lead to the still further impoverishment of our already despairing producing classes, but would it suffice to check the exports of gold? We are unfortunately a debtor nation. As a people we owe an annual interest charge abroad of not less than $200,000,000, and this charge does not fall with prices. The lower prices fall, the greater quantity of produce it takes to meet this fixed indebtedness. Consequently to force prices lower is to add to the burden of our foreign debt. Besides an increase in the quantity of exports caused by lower prices may be considerable without increasing the value of our exports at all. Therefore to check the exports of gold by forcing prices still lower is well-nigh hopeless. Our only hope is to raise prices, and this can only be done by returning to bimetallism and checking the appreciation of gold.

An expansion of bank issues of currency in such volume as to raise prices would immediately stimulate imports and at the same time check exports, for when our foreign creditors found they could buy more with the ounce of gold elsewhere than in America, they would take gold in preference to our commodities. Consequently the banks, so long as they maintained gold payments, could not expand their issues so as to raise prices, or even to maintain prices at the present low level, for just as soon as they did so, gold exports would result, and the notes issued by the banks would return for redemption just as fast as issued, which process would very soon exhaust their stock of gold.

In order to maintain gold payments, the banks would have to contract their issues so as to depress prices, and to further depress prices would be to force many of their customers into bankruptcy, make the bills receivable they hold uncollectible, if not worthless, and thus inevitably lead to the suspension of the banks themselves.

The Banks Opposed to Bimetallism.

Yet the banks are opposed to bimetallism. They demand the maintenance of the gold standard, they insist on the retire-

ment of the national greenbacks and Treasury notes and the substitution of their own currency, and they proclaim their readiness to undertake the duty of redeeming their own notes in gold and to provide gold for export. But why is it that the banks are so willing to take up this burden that the government finds so onerous?

The transfer of this duty from the government to the banks would not stop the drain of gold. To the banks the burden would prove at once unsupportable. They would be obliged to suspend gold payments, and in that event the currency issued by the banks would become our sole currency. And it is just in this that the speculative cliques would find their profit. Gold payments suspended, there would be no check on the issues of bank currency. The speculative cliques controlling the banks could contract and expand the volume of our money, and thus raise and depress prices, at will. Consequently the producing classes would be at their mercy. All wealth would be rapidly concentrated in their hands, they would hold the producing classes in abject dependence, and they would reap the reward of the industry and labor of others. This is what blind persistence in pursuit of the gold standard will inevitably lead to.

Suspension of Gold Payments.

Gold payments suspended, and the control over the volume of the currency vested in the banks, bank currency inflation would then be possible, and we would alternately be treated to inflation and contraction, as the speculators controlling our banks, and hence the volume of our currency, saw fit to raise or depress prices. Violent fluctuations in prices would be the order of the period, and the producing classes would be at the abject mercy of the speculative cliques, whose speculative schemes to raise and depress prices could not miscarry, and who would rapidly accumulate wealth at the expense of the producing classes.

It is an irredeemable paper bank currency that we may expect as the outcome of persistence in gold-monometallism. Either this or further contraction of our currency is, if we adhere

to the single gold standard, inevitable. And the control of the currency by the banks means the abject dependence of the producing classes on the whims of speculative cliques bent on enriching themselves at the expense of others' labor; while further contraction of our currency means increased poverty and degradation for our producing classes. In either case the inevitable outcome of adherence to the gold standard must be the impoverishment of our producing classes.

Meaning of a Redundant Currency.

It is not from a redundant currency, but from a contracted currency, that we suffer. A redundant currency means high prices, and surely we have not suffered from an inflation of prices during the past twenty years. It is of low prices, not of high prices, that our producing classes complain, and the remedy for low prices is expansion, not contraction.

But in a redundant currency the gold-monometallists find the cause of gold exports and the cause of the drain on the gold reserve, and their one cry has been contraction. They have reasoned: Contract the currency, make money scarcer, prices lower, and consequently exports will be increased and imports decreased, and thus by the accumulation of a large merchandise balance of trade in our favor, exports of gold prevented. Our farmers and manufacturers would be impoverished, but no matter, our sacred gold would be saved!

And in their demands for contraction the gold-monometallists have been logical, for only by contracting our currency and forcing prices to a lower and lower level can the single gold standard be maintained. Consequently the general approval with which gold-monometallists in general have received the proposal to increase the national bank currency is, we repeat, an exhibit of marked inconsistency. They complain of a redundant currency, yet they propose to add to the "redundancy" of the currency by increasing bank circulation. They have favored the issue of bonds and they have regarded borrowing and piling up money in the Treasury as a covert but effectual way of contract-

ing the currency, yet on top of this costly proceeding they propose to issue bank notes that will fill up the place made vacant by the hoarding of currency in the Treasury; to check the contraction for which they have longed by expanding the issues of bank currency.

No benefit can be derived from increasing the issues of bank currency. We need more money, but we must broaden the basis of redemption money before we can safely increase our issues of paper. The narrow gold basis is not wide enough to support the paper fabric that now rests upon it, that is tottering as it is and only kept from collapse by artificial support. To increase the issues of paper redeemable in gold is only to invite suspension of gold payments. Our stock of gold has already more paper based on it than it can well carry. Our first step must be to restore silver to its place as money and broaden the basis on which to rest our credit fabric. Then it will be safe to increase our issues of paper, but not before.

Crafty Schemes of the Gold Contractionists.

The purpose of the contractionists in urging increased issues of bank currency while urging contraction of the issues of government paper is evidently covert. Failing to secure the adoption of such a plan as the "Baltimore Plan" by which the government would surrender the sovereign power to issue and control the volume of paper money to the banks, and there being no prospect of the adoption of such a radical plan in the near future, the contractionists no doubt deem it wiser to push their schemes for getting control over the currency step by step, so as not to awaken opposition. Hence their purpose in increasing the issues of bank currency,—not to strengthen the government or its ability to maintain gold redemptions, but rather to weaken it while strengthening the banks. In bond issue after bond issue the contractionists see their profit. The bonds so issued make a basis for more bank currency, and the more bank currency is issued the harder under the gold standard for the government to maintain gold payments, and the more pressing

the demands for redemption of greenbacks and treasury notes in gold.

Thus by making the greenbacks and treasury notes a greater and greater drain on the gold reserve, the money cliques hope to finally bring about the retirement of greenbacks and treasury notes. And then the burden of redeeming their notes in gold being thrown on the banks they would soon be forced, willingly, no doubt, to suspend gold payments, and thereafter having the control over the currency entirely in their own hands they would be in position, by arbitrarily expanding and contracting the quantity of money, to raise and depress prices at will, to the ruin of producers but to their own great profit. The producing class would be at their mercy, and thus finally the power of the speculative cliques become supreme.

Banks are a great power for evil or for good. Well directed they facilitate circulation, economize the use of the precious metals, aid the distribution of the products of labor, and tend to that regularity of movement and production which is conducive to development and progress. Ill directed they tend, by the arbitrary expansion and contraction of credits, to the production of irregularity of prices, thus stimulating the gambling propensities of man, and by making the reward of industry uncertain retard production and check enterprise and progress.

The Banks as Engines of Speculation.

Unfortunately bank officers are prone to yield to the temptations of illegitimate profit, short-lived, it is true, and losing sight of their true interests, and of their duty to the public, all too readily follow the dictates of short-sighted selfishness. They should do all in their power, by the proper expansion and contraction of credits in response to the demands of trade, to insure stability of prices and make violent fluctuations in prices impossible, thus aiding greatly in the just distribution of wealth and encouraging production ; but they have ever been too ready to abandon this, their true function, and to turn the banks into great speculative agents. Thus we have seen prices fluctuate in re-

sponse to arbitrary expansion and contraction of credits, to the ruin of producers, but to the profit of those who engineered the expansion to be followed by contraction. With this selfish end in view the banks seek to control the power over the currency which should be exercised by the national government, thus redoubling their power, and securing themselves against any possible storm arising out of their manipulations of the market.

The banks of the financial centres are already a law unto themselves. The National Bank act leading inevitably to the centralization of a large part of the reserves of all the national banks in New York, causes the banks scattered over the country to lose their independence of action. Looking more and more to the banks of New York for guidance, becoming subservient to their policies, contracting and expanding their loans in obedience to the dictates of Wall Street as prompted by speculation, and without regard to local conditions or the interests of their customers, the banks are being gradually converted into instruments of speculation controlled in the interests of Wall Street. The centralization of the banking interests in speculative hands is the inevitable result of the system that permits and induces the deposit, not alone of a large portion of the reserves of our national banks, but of their unemployed funds, in New York.

If managed in the interests of the people, banks are a great power for good, and by a wise expansion and contraction of credits can give great stability to prices and check speculation, but managed in the interests of speculators and expanding and contracting their credits arbitrarily they can cause fluctuations in prices conducive only of evil, to the ruin of producers and the great profit of speculators. This is the tendency of the banks at this time, and hence the opposition and growing prejudice against banks of any kind.

Our Banking System.

The national Banks of the United States are divided into three classes—1, those of the Central Reserve Cities, at present New York, Chicago and St. Louis, which are required to keep

on hand in their own vaults twenty-five per cent. of their deposits;—the national banks are required to keep on deposit in the United States Treasury a sum equal at all times to five per cent. of their respective circulations, which sum they are authorized to count as part of their lawful reserve, the same as if it were in their own vaults,—2, the Banks of the Reserve Cities, originally Albany, Baltimore, Boston, Cincinnati, Chicago, Cleveland, Detroit, Louisville, Milwaukee, New Orleans, Philadelphia, Pittsburg, St. Louis, San Francisco and Washington, to which several have since been added, it being enacted that on the request of three-fourths of the national banks in any city having a population of over 50,000, the Comptroller may add such city to the list of Reserve Cities, which are required to keep a reserve amounting to twenty-five per cent. of their deposits, but one-half of which reserve may consist of balances on deposit with a bank or banks in the Central Reserve Cities; and 3, all other banks, which are required to keep a reserve of fifteen per cent., three-fifths of which may be kept on deposit with any bank or banks of a Reserve or Central Reserve City.

Leads to the Deposit of the Reserves of the Country Banks with Banks of the Financial Centres.

Deposits made by the country banks with banks of the Reserve Cities as part of their reserve, and by Reserve Cities with banks of the Central Reserve Cities, being of a permanent nature, the banks of the Reserve Cities look upon such deposits as especially desirable, and very generally pay interest on such deposits. Thus enabled to secure a small return as interest on that portion of their reserve which they are authorized to keep on deposit, the country banks in the banks of the Reserve Cities, and the Reserve City banks with the banks of the Central Reserve Cities, they are tempted to so place their balances, and keep their reserves, so far as they are permitted, on deposit, presumably on call, in preference to keeping them in their own vaults. This practice of keeping reserves on deposit impairs the usefulness and strength of the country banks just when aid is

most required by their customers and they need to husband their resources.

Dangers of this Practice.

Deposits of the country banks with the banks of the Reserve Cities are declared by the national bank act to be equivalent to cash held in their own vaults, and equally as good and as available to secure the prompt payment of their depositors. As a matter of fact, such deposits are equivalent on the statute book, but in nothing else.

Nominally, they are payable in cash on demand. Practically, they are unavailable when most needed. In times of confidence, when there is no unusual demand for money, when there is no drain on the reserve held in the vaults of the country banks, and when they have no need for the money on deposit in the Reserve Cities and counted as a part of their reserve, then the banks in such cities are in position to pay such deposits, but when confidence is lacking, when credit collapses, when the country banks are called upon to meet unusual demands for cash, when the cash in their vaults is depleted, and when they are in urgent need of their deposits in the Reserve Cities, then the banks in such cities, similarly strained, are unable to respond. When the country banks most need money, their drafts are met by Clearing House Due Bills, and they are thrown upon their local resources to struggle as best they can.

Clearing House Certificates.

Unable because of position and isolation to follow the lead of the banks in the large cities, in which their resources are tied up, and meet all drafts by the issue of Clearing House Certificates, they are obliged to violently contract their loans in a desperate effort to meet the demands made upon them. They must pay all demands in money or suspend. No middle course is open to them. No half-way measures will avail, and no measures of relief such as those made use of by the banks in the Reserve Cities in arbitrarily suspending payments, in refusing to honor

drafts save in Clearing House Due Bills, in making settlements between themselves in Clearing House Certificates unauthorized by law,—the ultimate redemption of which is presumably secured by deposit with the Clearing House Association of sundry bills receivable—and in counting such certificates as cash and part of their reserve, are open to them. They have no alternative save to pay in money or close their doors, and with their resources weakened because of the false dependence placed upon that portion of their reserves deposited in the banks of New York and other Reserve Cities, their position is made doubly critical. Drafts on New York or other Reserve Cities are no more desired by those demanding payment at their counters than the drafts they hold against the local bank, and hence deposits in the Reserve Cities are at such times worthless.

The Experience of 1893.

The experience of 1893 is a case in point. The banks of New York refused to honor drafts in money, not alone to those customers whose deposits were largely the creation of credits granted to them by the banks, of notes discounted and other loans made them, not alone of those depositors who had deposited actual money, but of the banks all over the country that had deposited with them, as authorized by law, a large portion of the reserve they are required to keep to insure the prompt payment of their depositors. The banks in Philadelphia and other Reserve Cities followed the example of the banks in New York and refused to meet the urgent demands for money of the country banks, and absolutely refused to pay either the drafts of the country banks or the checks of their individual depositors, save in drafts acceptable on deposit with each other, except in special and favored cases. Their depositors were told in effect, If you doubt the solvency of the bank in which you have a deposit we will give you a Clearing House due bill that will be accepted by any of the other Clearing House banks, and enable you to transfer your deposit to any bank you see fit.

The control of the country banks over that portion of their

reserve deposited with the New York banks was restricted to the right to transfer their balances from one bank to another. To the bank in need of money this right was, of course, worthless. The deposits that they had made in the banks of New York and other Reserve Cities, which the law authorized them to count as reserve, and which the law regarded as equally available for the payment of their depositors as cash in their own vaults, they found in their hour of need utterly unavailable. Their depositors wanted money. Drafts on New York or other Reserve Cities, payable on presentation, not in money, but bearing the stamp, "Payable only through the Clearing House," across the face, were naturally unacceptable to their depositors. They needed money, they demanded money. Drafts that simply permitted them to transfer their deposit from the local bank to another in New York or elsewhere, they refused. The reserves of the country banks consisting of balances due them by other banks being absolutely unavailable, many that could otherwise have weathered the storm were forced to suspend.

The experience of 1893 must be repeated whenever the banks are called upon to redeem to an unusual extent in money the credits that they grant depositors in the expectancy that the drafts drawn against such deposits would not be presented for payment in money but would be deposited in the same or other banks and paid through the Clearing House by offsetting one debt against another. When such a demand comes the banks are obliged to resort to the issue of Clearing House certificates, not of such Clearing House certificates as are recognized by the National Bank Act and representing specific deposits of lawful money deposited with the Clearing House Associations, but of Clearing House certificates issued against deposits of bills receivable, that have been issued in times of panic without authority and counted as a part of the legal reserve without warrant of law.

Such certificates are useless to country banks in need of money. They must provide the money to meet the drafts upon them, and this they can only provide by contracting their discounts and calling in their loans. This, of necessity, adds to the stringency. Refusing to make new discounts or new loans

the banks reduce those upon whom they call for payments of their indebtedness to the necessity of tendering money. Thus the contraction of loans and discounts makes the struggle for money more and more severe, and adds to the drain on the bank reserves.

Thus we see banks transformed into engines of destruction and a struggle precipitated between the banks and their customers for money.

Our Banking System conducive of Panic, not Stability.

Our whole system is conducive of panic and not stability. It is defective in that it leads to the keeping of a large part of the reserve of the country banks in the Reserve cities, especially New York, and in that, prohibiting the making of any new loans or the granting of new discounts when the reserve held by the country banks falls below 15 per cent. and in the case of the banks of the Reserve cities below 25 per cent. of their deposits, it obliges the banks to cease discounting and contract their loans just when there is the greatest demand and greatest need for expansion, and when a little wise extension of credits might serve to prevent a panic.

The necessity of resorting to unauthorized issues of Clearing House certificates whenever unusual demands are made on the banks, is evidence of an inherently weak system. The issue of such certificates saves the banks that are united in the Clearing House Associations, but it entails great hardship and often ruin upon the country banks, whose deposits in the Reserve Cities are made unavailable, and who are obliged to meet all demands made upon them in money. It is undeniable that the arbitrary suspension of payments by the Clearing House banks in the financial centres leaves them at liberty to expand their loans, and by extending needed help to do much to avert the ruin of their customers, check the sacrifice of property and stay the course of panic, but it is none the less true that it puts those in need of actual money, who have deposited actual money and who are entitled to its return, to much inconvenience and expense, and the very fact

that in time of unrest and panic the banks are unable to do anything to avert or stop its course until they suspend payments, condemns the whole system.

Shortcomings of our Banking System.

A panic is the result of a contraction and restriction of credits, and it cannot be cured by further contraction. Only by wise expansion can its course be checked, and the ruin that comes in its wake averted. Yet when panic is brewing our banks hasten and bring it on by contracting their loans and restricting discounts, as indeed they are obliged to do by the National Bank Act, which prohibits the making of loans or the granting of discounts when their reserves fall below the legal limit.

Our present banking system is based on a false theory. Under it the banks obligate themselves to do the impossible—namely, to pay deposits of credit in money. So long as they are not called upon to do so, the credit system works smoothly. But with stringency comes a drain on their reserves, and they are called on to redeem their promises freely undertaken in the belief they would not be called on to fulfil them. To meet such demands, the banks feverishly contract their loans, which brings ruin to their customers, and inevitably turns stringency into disastrous panic. Called on to do the impossible, failure confronts them, and time and again they have avoided suspension only by repudiating their obligations so unwisely undertaken, to pay deposits of credit in money, and by temporarily setting aside the false theory on which the banking system is based.

An "Elastic Currency."

As a remedy for this state of affairs that impairs the ability of the banks to loan just when the demand among their customers for assistance is greatest, it is proposed that the National Banks be empowered to issue a temporary so-called "emergency circulation" up to say fifty per cent. of the capital of the existing banks, such circulation to be subjected to a graduated tax increasing with the amount of currency taken out, and the length

of time outstanding. We are told that we would thus secure an "elastic currency," that the banks would only take out this "emergency currency" when it was needed and interest rates ruled high, and that just as soon as interest rates fell this currency would be retired, for the tax on such currency becoming heavier the longer it was kept in circulation, such currency would not yield the banks any profit save when they could loan it at high interest.

The benefits of such a currency would accrue to the banks, not to the producing classes in general. It would indeed provide for an increase of currency when interest rates were high and lead to a contraction when interest rates were low. But this would not provide for an increase of circulation when money was scarcest and the need was greatest among the producing classes, nor would it result in contracting the currency when money was most plentiful. On the contrary, it would lead to contraction when expansion was needed, for when money is scarcest among the producing classes, when prices are falling and production paralyzed, then it is that interest rates are lowest. And on the other hand, it is when the volume of money is increasing that interest rates are highest in the financial centers, for when prices are rising then it is that productive industries are profitable, that money seeks investment in productive enterprises, and flows away from the financial centers.

Contraction of the money in circulation, leading to falling prices, causes a drain of money from productive industries to the financial centers, leading to a plethora of money and low interest rates in such centers. Thus to base the volume of money on interest rates in the financial centers would lead to contraction when expansion was needed. The resulting "elastic currency" would stretch when *not* needed and contract when *most* needed. It would serve the banks by enabling them to meet sudden demands, but it would accentuate the evils of contraction. Hence an "elastic currency" based on interest rates would be anything but beneficial to the producing classes.

Dangers of Treating Deposits of Credit and Money Alike.

Our banks should not be required and should not undertake to do that which is impossible, namely, pay such deposits as are the creation of discounts and loans of credit in money. The larger part of the deposits of our banks are the creation of pure credit. To undertake to pay such deposits in money is to undertake the impossible, and it is not only wrong, but it is unsafe, as it has proven to our cost again and again, to make such deposits of credit payable in money, in the belief that payment in money will not be demanded.

Our banking system is based on the supposition that it is safe to undertake to do what we cannot perform on the ground that we will not be required to carry out what we undertake.

The deposits of our banks are of two kinds, but they are treated as one, and entered in the same accounts. Deposits of actual cash form but a small portion of the gross deposits, especially in the city banks. Deposits of credit, the proceeds of notes discounted, and other loans, form much the larger portion. Notes payable in two, three and four months, received by merchants and manufacturers in payment for their produce, form the basis of a large part of the deposits in the banks. The merchant or manufacturer receiving a note, payable at a fixed and future date, and desirous of making use of it at once to pay his debts, takes it to his bank and asks to have it discounted. The bank, deciding to discount it, deducts from the face of the note interest calculated to the due day, technically discount, and places the balance to his credit, on the books of the bank. The bank thus at once becomes *loaner* on giving its credit for the note, and *borrower* on taking the credit as deposit.

Against this credit the customer draws just as he would against a deposit of actual money, but only a small proportion of the checks so drawn are in ordinary times presented for payment in money. The creditors of the merchant or manufacturer, as the case may be, who has had a note discounted by his bank, and drawn against it in payment of his debts, do not want money in payment. They have debts of their own to pay. They de-

posit the checks received in their banks, and proceed to draw against them in settlement of their own debts. If the checks happen to be deposited in the same bank against which they are drawn, they are entered up on the books, and one debt cancelled by the creation of another. If they are deposited in another bank, they are settled virtually in the same way, through the medium of the Clearing House. Loans made on time, and secured by the deposit of bonds, produce receipts, etc., take for the most part the same course. No money is passed in the creation of such deposits, and but little is passed in the payment of drafts drawn against such deposits.

Deposits of Credit can not be Redeemed in Money.

But the banks undertake to pay such deposits in actual money if demanded. The actual money they do not possess, and cannot command. They create credit deposits of this kind, generally to three or four times the amount of their capital, and the only limit is that the country banks must cease to discount or make other loans when their reserve falls below fifteen per cent., and the city banks when their reserve falls below twenty-five per cent. of their deposits. Of course they cannot pay in actual money such large deposits, on account of which not one dollar of actual money was deposited. If it is demanded, they are required to pay. The result is, their cash is drained, the reserve is depleted to the minimum limit, and they are obliged to discontinue to discount, or make other loans. This, of itself, leads to an increased demand among their customers for money. When help is most needed they are unable to extend it, and finally the banks are obliged to issue Clearing House certificates to save themselves.

The banks should not treat their advances of credit as money, and should not undertake to redeem deposits created by credits granted, in money. Deposits of money and deposits of their own credit loaned to their customers should be kept in separate accounts. They should be rigidly required to pay the first with money on demand, but the second should be paid as

they were created, namely, by offset. Checks drawn against deposits created by credits granted by the banks should not call for cash, nor should the banks undertake to redeem such checks in cash. Such checks should be exchangeable for bank drafts if desired, but payment should only be made by balancing one debt against another, in other words, through the Clearing Houses. It will be remembered that in the panic of 1893 the banks refused to pay checks in any other way, and in times of panic they must always resort to such methods, for under the present system they undertake the impossible task of paying all their credits in cash, in the belief that they will not be called upon to do so. Of course, when in times of distrust they are called upon they cannot perform their obligations. The banks should not undertake to do what they cannot perform, and the task of redeeming all drafts on them in cash is an impossible one. Checks and drafts should be of two kinds: First, those drawn against money and payable in money, and second, those drawn against credit and payable in bankable funds, and ultimately by offset through the Clearing House. Never should the funds of depositors of cash be used to pay those to whom credits had been granted.

If deposits were so treated there would be no need to contract credits in the face of panic thus increasing its intensity, but credits could be safely extended when most needed; the united credit of the banks could be fearlessly used and by a wise expansion of credit any tendency to a stringent money market could be prevented, and panics due to the collapse of credit averted. As it is, in times of panic the funds of depositors of money are ever in jeopardy, the banks become powerless to extend aid and become an engine of destruction, while not even the ruthless sacrifice of their customers can always avert their own ruin.

Our Banks Controlled by Speculative Cliques.

At present the banks controlled by speculative cliques raise and depress prices by arbitrarily expanding and contracting

credits, to their own great profit and at the expense of the producing classes, and when they are strapped for money as a result of panic brought on by their own speculation they resort to the issue of Clearing House certificates. The banks are now striving to secure complete control over the volume of our currency. They demand that the government surrender to them the sovereign power to issue and control the volume of our paper currency. They demand the retirement of greenbacks and treasury notes, of all government paper, and the substitution of bank notes. The power over the currency once placed in the hands of the banks there would be no check to an arbitrary inflation and contraction of this currency as it suited the purposes of the banks to inflate or depress prices, save the obligation to redeem their notes in gold. Further, in the event of suspension of gold payments that would inevitably follow the transference of the obligation to maintain specie payments from the Treasury to the banks, the control of the currency of the country, which, in that event, would be our measure of value, would be absolutely in the hands of the banks, subject to variations as it suited the purposes of speculative bank managers to *bull* the market and inflate prices or *bear* the market and depress prices. Such arbitrary and violent fluctuations in prices as would follow would inevitably bring abject misery to the producing classes, for when they had produce to sell, the banks and their sycophants, controlling practically all the money of the country, and thus forming the only market, would depress prices to a starvation level to disheartened producers, who, when they turned round to invest their meager returns, would find that prices had been arbitrarily raised.

The Nation must Guard over our Measure of Value, not the Banks.

Gold-monometallism the banks do not want, but only strive for it as a stepping-stone to irredeemable paper money, over which they would have complete control. It is true that if the banks were conscientiously and impartially managed under such

circumstances, they could maintain the level of prices with great stability, and by wise expansion and contraction of their notes prevent undue fluctuation in prices, but the temptation of certain and enormous gains from an unscrupulous misuse of such a power, would, if experience can be taken as our guide, be too strong to be resisted. We might as well give the merchant the right to arbitrarily fix the weight of the pound, or the ton, or the length of the yard when he bought, and change such measures again when he sold, as to hand over to the banks the power to fix the value of money by determining its quantity, and thus depress or raise prices at will. You urge the honest merchant would not take advantage of such a power to legally rob either those to whom he sold or those from whom he bought, and so it is urged the banks would not misuse their power. But no more is it right to tempt the banks than it would be to tempt the merchant—to the honestly-disposed merchant, as to the bank officer, it would be injustice. And then the merchant taking unscrupulous advantage of this power would ruin the honest man in his dealings with him, and prosper on his misfortunes. Before we would be justified in handing over to interested individuals, as the banks, such a trust, we must reach an Utopian state. The government should guard over the measure of value even more scrupulously than it guards over the measures of weight, measurement and quantity.

CHAPTER XVIII.

The Centralization of Wealth.

Samuel Lloyd and the English Bank Restriction Act of 1844.—His purpose and aim in contracting the currency.—Low interest rates not a sign of prosperity but of industrial stagnation.—Not evidence of a redundant currency but the reverse.—Interest rates highest when profits are largest.—Lowest when profits are smallest.—The constant appreciation of gold has resulted in driving money to the financial centers, reducing the rate of interest at which investors can safely invest their money and at the same time raising the rate of interest that those engaged in productive industries are obliged to pay when in need of money.—The accumulation of gold in the European banks of issue.—They have gained gold while we have lost.—Now hold three-eighths of all the gold money of the world. Cause of this concentration of gold, its dangers and the remedy.

No engine ever proved so mighty, no instrument so powerful, so unfailing, in the transference of property from the producing to the money-lending classes, and the consequent centralization of wealth in the hands of the few, as the single gold standard. Having discarded silver and gained control over the gold money of the world, the creditor classes have the producing classes absolutely at their mercy, for, by displacing silver, the demand for gold has been doubled, and continues to increase as trade and population grow. And with this increased and increasing demand, gold has and must continue to rise in value, resulting in a shrinkage in the value of the property of all producers, and an increase in the burdens of all debtors in a like ratio.

The Bank of England Restriction Act.

No one ever perceived this more clearly than Samuel Lloyd, who rose to be the head of one of London's greatest banking firms, a firm afterwards merged into the London and Westminster Bank, —the recognized chief of the moneyed interests during the second quarter of the century, and the author of the Bank Restriction Act of 1844,—a man who influenced the policy of England, we might safely add of the world, more than any other man of his time. Lloyd's first great aim was to limit the issues of the Bank

of England and thus rigidly limit the currency of England to the supply of gold available for money. This was accomplished by the Bank Act of 1844, which required that the Bank of England hold pound for pound in gold in its vaults against every pound of paper outstanding in excess of £14,000,000. Thus securing an inelastic currency that could not be increased in obedience to the increased demands of trade, save by additions to the stock of gold, Lloyd felt that he had placed the debtor classes prostrate at the feet of their creditors. The quantity of legal tender money being insufficient to carry on the trade, and being absolutely fixed, he saw that payment was only made possible to debtors when their creditors saw fit to loan them the means. It followed that when the creditor classes chose to contract loans, payment became impossible, and they thus had it in their power to forfeit the property of their debtors.

Profit of the Money Cliques in a Contracting Currency.

Lloyd reasoned that with expanding trade, and a currency fixed absolutely by the quantity of gold in the country, money must rise in value as the demand thrown upon it by growing population and expanding trade increased, for he deemed it impossible that the production of gold would be such as to make possible an increase in the quantity of gold in use in money as fast as population and trade grew. He perceived that as gold became more and more valuable, it would become more and more difficult for debtors to pay their debts, and saw that debtors thus becoming more and more dependent on loans of the creditor class to enable them to meet payments of interest and principal, would be forced, whenever the creditor classes systematically contracted loans, to surrender their property on such terms as creditors might dictate.

He foresaw that under such contraction prices would fall to a lower level than in other nations, that then gold would flow into England, and that this influx would increase the quantity of money and raise prices to the great benefit of the creditor class, who could sell the property of debtors forfeited during the panic,

at an advance. The property of one class of debtors having first been forfeited and then sold at an advance to a new set of hopeful producers, the wheels of contraction would again be put in motion, another panic precipitated, and another set of debtors shorn of their property.

Fortunately for the producing classes of the world, the great discoveries of gold in California and Australia upset Lloyd's plans. For a time attempts at contraction miscarried and the world prospered. But while the contractionists failed in their effort to demonetize gold in 1853–58, they succeeded in demonetizing silver twenty years later, and now we see Samuel Lloyd's policy being put in force, with the result that the few are being enriched at the expense of the many.

Decline of the Small Town.

The discarding of silver as a money metal, the consequent curtailment of the supply of money and the resulting appreciation of gold and fall of prices making production unprofitable have led to the centering of money in the financial centers.

As prices fall gold flows naturally to the financial centers, for it grows in idleness and the wealth of the owner of money increases automatically with the fall in prices; whereas if the owner of gold invests it in the products of labor he must lose with the fall in prices. Consequently we see money invested in productive industries in the small towns withdrawn, the industries from which it is withdrawn closed, and tradesmen and merchants irresistibly attracted to the large cities. And with this destruction of the small towns the producer is placed at the mercy of the owners of money who have centralized their wealth in the great financial centers. The owner of money, finding it profitable to keep his money in idleness, has no incentive to exchange his money for the products of the producer. As a result, the buyer no longer seeking the producer (the seller), the producer must seek the buyer, and offer his products at sufficiently low rates to tempt the owner of money to purchase. Prices are thus depressed, but the returns received by the producer are

still further reduced. Being far removed from the financial centers, the only markets for his products, he must of necessity employ middlemen and commission agents who charge extortionate rates for their services.

That the prosperity of the towns is declining, and that the cities are growing at their expense, is evident, and must have been more marked during the last five years than in the previous decade. But we have no reliable statistics later than those of the United States census of 1890. Yet we have no need to seek further, for the census figures covering a period comparatively prosperous more than substantiate our observation. During the decade 1880–1890 farm population increased from 19,085,511 to 23,835,895, or 24.9 per cent., and city population from 11,318,547 to 18,284,385, or 61 per cent., but town population (towns of under 8,000 inhabitants) increased only from 19,751,725 to to 20,550,685, or 4 per cent.

It will be seen that the large cities have grown not at the expense of the agricultural population, but of the towns. The further this centralization is carried the greater will be the tax levied on all production and the less the profit reaped by the producer, with the result that production will fall off and depression and retrogression more and more take the place of prosperity and progress.

When prices are falling the seller is anxious to sell and the buyer prefers to wait. Thus the buyer holding the whip handle fixes the price. But when prices are rising it is the buyer that is anxious to buy and the seller who prefers to wait. Then the seller holds the whip handle and it is the seller who fixes the price, the demand of the seller being, however, held in check by the constantly increasing competition. Profits are thus fair but not unreasonable, and hope and enterprise everywhere take the place of inertia and despair.

Low Interest Rates not evidence of a Redundant Currency.

The low interest rates ruling in the financial centers are often spoken of by the gold contractionists as evidencing an abundant

supply of money. But low interest rates are not evidence of a redundant currency; neither are they evidence of prosperity. On the contrary, the low rates of interest at which investors are willing to invest their money in the bonds of municipalities and the first liens of old established railroads, the prompt payment of the interest on which seems assured, is evidence of a scarcity of money, and is directly the result of falling prices and industrial stagnation.

Interest rates are naturally highest when the profits of industry are largest, for then it is that producers are encouraged to increase the productive capacity of their establishments, that the demand for loans is most active, and that producers can afford to pay the highest interest. Interest rates are ultimately dependent on the profits of industry, for no producer will borrow money, save under the stress of necessity, unless he sees the prospect of earning with the aid of the borrowed capital a greater profit than the interest he is obliged to pay for its use. It follows that the larger the profits and prospective profits of industry, the higher the producer will be tempted to pay for the use of money with which to enlarge his output and extend his business, while the smaller the prospective profits of industry the smaller will be the rate of interest he will be justified in paying for money with which to extend production.

As Money Appreciates Interest Rates Fall.

So it is, that as money appreciates and prices fall, thus cutting into the profits of industry, the demand for new money in production falls off, and money flows to the financial centers, accumulates in the banks, and seeks investment in such municipal and railroad bonds as are in effect a lien on the earnings of the whole community. Consequently, as the supply of money seeking investment in such securities increases and the competition among investors for such bonds becomes greater, prices of such securities rise, and the rate of interest yielded by investments in such securities falls.

But while a growing scarcity of money, and the consequent

fall of prices, checks the demands of producers for new loans with which to extend their business, and drives money from the industrial to the financial centers, thus forcing down the interest rates at which municipalities can borrow money, and at which old-established railroads can renew old loans falling due, it leaves all producers who have borrowed money in times of prosperity at high rates of interest, and all those who, unable to collect moneys for commodities sold, are driven into the money market as borrowers, in a deplorable condition. Just as profits are reduced not only is the ability of producers to pay interest charges curtailed but their credit is impaired. Consequently, when old mortgages fall due on farm and factory the owner is often obliged to pay exorbitant commissions and high interest for renewals, if, indeed, he can secure an extension of time from his creditor. And so when merchants and retailers to whom manufacturers dispose of their products find themselves (because of their inability to sell to the consumer the goods bought from the manufacturer, and for which they gave their notes in payment in the expectation of selling the goods so purchased before the notes came due, and thus be put in funds with which to take up their notes) unable to pay their notes when due, and when, as a result, they ask renewals, and manufacturers are thus forced unexpectedly to borrow money with which to carry goods nominally sold to their customers, manufacturers find themselves at the mercy of the money-lenders, and are, in many cases, more than glad to secure the needed money, even though obliged to pay usurious and ruinous rates of interest.

Low Interest Rates Evidence of Industrial Stagnation, not of Prosperity.

Thus the fall in prices, directly due to the growing scarcity of money and the consequent appreciation of gold brought about by demonetizing silver, has resulted in driving money to the financial centers, reducing the rate of interest at which investors can safely invest their money, and at the same time raising the rate of interest that those in productive industries are obliged to

pay when in need of money. The low rate of interest at which so-called gilt-edge securities can be marketed in the financial centers is due solely to the growing appreciation of money, and, as we have said, is evidence of industrial stagnation, not of prosperity.

The discarding of silver having curtailed the supply of money, gold has appreciated as population has grown and the demands for money increased, and just as gold has appreciated prices have fallen. And so long as prices are falling, the value of money increases, and yields to the owner of money an unearned profit, even while lying in idleness in a safe deposit vault. So at this time the owner of money suffers no loss, even when his money lies in idleness, and he is recompensed for the low rates of interest he is obliged to accept for his money invested in the gold bonds of governments, municipalities, and the prior mortgages of old established railroads, by the appreciation of the gold in which interest and principal of his favorite bonds must be paid. Further, when prices are falling, the owner of money is induced to invest solely in this class of securities without regard to the low rate of interest received, for other investments open to him, unless bound around with the advantages conferred by monopoly, give no promise of the security of the principal or the payment of interest. If he invests his money in the products of labor, he suffers a loss from the depreciation of the property bought; and if he invests in productive industries, which in times of stable or rising prices yield the largest profits and interest on capital invested, he suffers through depreciation of the plant; for just as prices fall, the profits of industry fall, and the ability of industrial establishments to earn interest on the capital invested in them is curtailed. It is therefore not surprising that, as the result of the growing scarcity of money and the consequent fall in prices, money has accumulated in the financial centers, and that interest rates should be low on the narrowed and constantly narrowing circle of securities on which the payment of interest seems assured.

Accumulation of Gold in the Financial Centers.

Money shuns investment in productive enterprises and the products of labor only when prices are falling. When prices are rising, owners of money are anxious to invest it in the products of labor, so as to participate in the rise, and in productive industries that are made profitable by such rise. Consequently, as the fall of prices since 1873 has not been uninterrupted, money has not continuously shunned investment in productive industries since 1873.

The coinage of silver under the Bland Act leading to a rise in prices, the years following its passage and marked by rising prices were years of great industrial development. Following the passage of the Bland Act prices rose on an average over twelve per cent. in three years, reaching high-water mark in 1882. Unfortunately the coinage of silver under the Bland Act did not provide for the addition to our supply of money needed to maintain the stability of prices at this level, and as with the growing demands of trade the demand for money grew faster than the supply, money appreciated and prices gradually fell. But it must not be forgotten that while the increase of our coinage under the Bland Act was not sufficient to maintain prices at the high level reached in 1882 it was sufficient to prevent prices from falling so rapidly as to bring general disaster and paralysis of industry.

It is since our currency has been reduced to the gold basis by an arbitrary interpretation of the parity clause of the Sherman Act, and the silver in the Treasury discarded as money available for redemption purposes, the burden of supporting both Treasury notes and silver certificates, as well as greenbacks, being thrown on gold alone, that the fall in prices has been so rapid as to bring universal disaster, make productive enterprises unprofitable and paralyze industry. And mark how, since 1891, as prices have fallen rapidly and continuously, money has shunned investment. The following table shows how the gold holdings of the European banks have grown during this period, how money has been withdrawn from circulation and of necessity from productive en-

terprises and hoarded in the banks. The figures are taken from *L'Economiste Europeen:*

Date.	Gold Holdings of the European Banks of Issue.
Dec. 31, 1890,	$ 936,918,500
" 1891,	1,089,041,100
" 1892,	1,197,970,300
" 1893,	1,180,484,500
" 1894,	1,341,736,000
" 1895,	1,487,875,600
June 4, 1896,	1,572,004,300

These figures show conclusively that some cause during the past five years has led to a centering of money in the financial centers? And this cause is the steady fall of prices.

The Struggle for Gold.

Comparison of the growth of the gold reserves held by the European banks of issue during the past six years with the coincident decline in the gold reserve held by the United States Treasury gives much food for thought. On the 30th of June, 1890, the gold reserve in the United States Treasury stood at $190,232,404. And on May 31, 1896, it stood at but $107,-657,954. But this does not show the extent of the drain on the gold reserve during the past six years, for over $290,000,000, of gold was added in the interim,—proceeds of $262,315,400 bonds.

Of the $346,681,016 of greenbacks and $301,539,751 of silver certificates issued up to June 30th, 1890, $297,556,238 of silver certificates and $322,798,977 of greenbacks were in circulation at that date, a total of $620,355,215. But the silver certificates at that time were in no way a demand on the gold reserve. They had been issued under the Bland Act, they were specifically redeemable in silver, and there was no parity clause of the Sherman Act which could be so interpreted as to make them a burden on the gold reserve. The silver certificates were supported by the silver against which they were issued and rested on their own basis. The gold reserve of $190,232,404 was available for the redemption of the $346,681,016 of greenbacks,

and the proportion of our gold reserve to the circulation based upon it was nearly 55 per cent. Moreover, there was practically no demand for redemption, and there was no drain on the gold reserve.

Fatuous Course Pursued by Our Government.

The Sherman Act was passed July 14th, 1890. It went into effect August 13th. If the provisions of that Act had been executed, if the Secretary of the Treasury had carried out the intent of the law, coined the silver purchased, thus broadened the basis as the superstructure was broadened by the issue of Treasury notes, and redeemed the Treasury notes when presented in silver, no drain on the gold reserve would have followed. But the parity clause of the Sherman Act was so interpreted as to make Treasury notes issued under the Sherman Act redeemable in gold at the option of the holder. Consequently the demand for gold was made greatest when gold was scarcest and dearest.

Further, the same clause has been so stretched as also to practically impose on the gold reserve the task of supporting the silver certificates. The result has been that the drain on our gold has been continuous, and instead of $346,681,016 of greenbacks resting on $190,232,404 of gold as on June 30th, 1890, we find May 31st, 1896, $346,942,504, silver certificates, $131,385,280 Treasury notes of 1890, and $346,681,016 greenbacks, a total of $825,008,800, resting on a gold reserve of $107,657,954. Of the $825,008,800 based on this gold, $165,052,459 was in the Treasury, leaving $659,956,341 in circulation. Compared to the sum actually in circulation the gold reserve equaled but 16 per cent. of the paper outstanding and resting on the gold reserve, instead of 59 per cent., as in 1890. Such has been the result of our attempt to support a stock of paper, previously supported on a basis of both gold and silver, on the gold basis alone.

Alternatives Offered by the Gold Standard.

Our prospects under the gold standard are certainly not bright. Continued borrowing to replenish as continuously a depleted gold reserve, or contraction of our currency and lower prices. These are the alternatives offered by the gold standard.

In the struggle for gold with the creditor nations of Europe to which we are largely indebted we are at a serious disadvantage. While we have lost gold during the past five years, they have gathered it, and the accumulations of gold in the European banks of issue are greater than ever before known.

The Centering of Gold in the European Banks.

Taking the figures compiled by *L'Economiste Europeen* we find that on December 31st, 1890, the gold reserves held by the various European banks of issue amounted to $936,918,500, an amount equal to about 36 per cent. of their circulation. Besides the gold they held silver to an amount of nearly $420,000,000, which it is hardly necessary to add they treat as money and not as mere bullion unavailable for redemption purposes, a colossal blunder into which our national Treasury has alone fallen, and consequently was and is just as serviceable a part of their reserve as gold. This silver, together with the gold held, made the total reserve of the European banks of issue on December 31st, 1890, equal to 51 per cent. of their circulation. Since 1890 gold has steadily accumulated in the European banks. While our Treasury gold reserve has steadily dwindled the gold in the European banks of issue has rapidly accumulated. In place of the $936,918,500 of gold in the European banks on December 31st, 1890, we find $1,572,004,300 on June 4, 1896, a gold reserve equal to 53 per cent. of their total circulation, while together with the silver they held to an amount of $501,761,400, the total reserve against circulation was equal to 69 per cent. of their issues.

Cause of this Concentration of Gold—Its Dangers and the Remedy.

Five years ago the European banks of issue held less than one-fourth of the gold of the world, now they hold three-eighths of all the gold in use as money. As the gold thus becomes centered more and more in the European banks we are placed in greater and greater dependence on foreign money-lenders. We can break the fetters which are now being bound around us which are bringing us into abject financial dependence on European money-lenders, and virtually enslaving our producing classes and bankrupting our people in their national as well as individual capacity, only by restoring silver to its place as money and making gold less valuable. So long as gold continues to appreciate it will be withdrawn from the channels of trade and industry and centered in the European banks. When this appreciation is checked, when rising prices take the place of falling prices, and as a result productive enterprises yield remunerative profits, then gold will be withdrawn from the financial centers, invested in the products of labor and productive enterprises and stimulate industry; not before. It is folly to expect to prosper under a system of appreciating money and falling prices dictated by our creditors.

CHAPTER XIX.

The Rise of Trusts and Monopolies.

An ample supply of money indispensable in a state of advanced civilization.—Without money every man would have to be a "Jack of all trades."—The appreciating gold standard by impoverishing the consumer leads to disastrous competition.—The very severity of which defeats the ends of competition by destroying the competitors.—Drives producers into combinations and trusts designed to raise prices by restricting production.—Rapid growth of trusts and combinations with the fall in prices to the grievous injury of wage-earners forced to accept 'trust' wages and of consumers to pay 'trust' prices.—The growth of trusts not caused by protective tariff duties.—The purpose of protection is to free us from foreign monopolists.—Yet many trusts are sheltered by tariff duties.—Duties on articles monopolized by trusts indefensible.—Injustice of the appreciating gold standard.—Must end in socialism or slavery.—Restoration of bimetallism our only salvation.

UNDER an advanced civilization the average producer consumes, directly, only a small part of the product of his labor, depending upon the disposal, the exchange of the surplus product of his labor to obtain that which he desires to consume. In a word, his material well-being, his very existence necessitates the free exchange of his surplus product for the surplus products of others. If this were not possible every man would have to produce all that he desired to consume, and no surplus would be produced, because, being inexchangeable for the products of others, it would have no value. Every man would have to be a "Jack of all trades," no division of labor, with its resulting saving of time and energy, would be possible, and all progress would be checked. Anything that tends to facilitate exchanges must, then, result in the advancement of the human race—increased happiness and comfort.

The Great Importance of Money.

Nothing is so necessary to the carrying on of exchanges as an ample supply of money. Money measures all things; it is the representative of purchasing power and is exchangeable for anything; it is the all-important agent in the production and dis-

tribution of wealth. Through its means the producer disposes of his products and obtains what he desires. When the supply of money is sufficient, no one hears of overproduction, for then the products of labor are justly distributed; plenty takes the place of want, and even the fear of want is banished. An abundance of wealth is not then confounded with overproduction.

But with the contraction of money, such as has been caused by the demonetization of silver, the exchange of products becomes difficult, well-nigh impossible. It becomes impossible for man to dispose of his surplus products or to command the products of others. Men producing different kinds of wealth, the exchange of which would result in the satisfaction of their wants, are prevented from doing so from the want, or the dearness, of this instrument of exchange. Thus products of labor accumulate on the producers' hands, and this accumulation is falsely termed overproduction—termed overproduction even while we witness starvation in the midst of plenty! Hence the farmers of the West have burned their corn for want of fuel, and fattened their hogs with wheat, while the miners of Pennsylvania were starving for bread.

Competition that Defeats its own Ends.

The appreciating gold standard resulting in the impoverishment of the great majority of the people restricts greatly the purchasing power of the community. Consumption is greatly curtailed, and such a thing as competition among *buyers* is unknown. Competition among producers, not being balanced by competition among buyers, becomes keener and fiercer until finally producers are driven to combine and restrict production in order to maintain prices.

Competition under the appreciating gold standard has become so fierce and destructive that it annuls the very advantages that consumers should derive from competition by destroying the competitors, the very severity of competition driving producers, who cannot otherwise withstand the storm, into combines and trusts.

It is then not surprising that our industrial history during the past decade should have been characterized by a rapid centralization of capital, and an alarming growth of trusts and combinations designed to repress competition and raise prices by restricting production. Naturally, and rightly, such trusts and combinations excite the enmity of the public, for while, by monopolizing the products of various articles of manufacture they are enabled to tax the consumer in the shape of an unduly enhanced price for what he buys, the wage-earner, employed by such combinations, receives no benefit from the enhanced price received for the product of his labor.

Two-fold Purpose of Those Organizing Trusts.

The purpose of the formation of trusts is to restrict production, and restricted production means curtailment of employment for the wage-earner. Consequently, though restricted production may mean higher prices for the products of labor monopolized by trusts it means increased lack of employment and lower wages for the wage-earner. Therefore the public interests are not conserved by higher prices resulting from the formation of trusts and combinations. On the contrary, from prices unduly inflated by artificially restricting production the public in general is grievously injured, for on the one hand the consumer is obliged to pay prices much above the cost of production, and on the other hand the wage-earner is obliged to accept smaller wages.

Those organizing trusts and combinations to repress domestic competition have a two-fold purpose in view. By restricting production they curtail the supply of such articles as they monopolize in the hope of raising prices, and at the same time they are enabled to reduce the cost of production, for the lower wages can be forced as the result of thus arbitrarily restricting the employment of labor the smaller must be the cost of production. And it is obvious that if by the combination of great industrial establishments into trusts, prices can be advanced while the cost of production can be reduced, the profits of those

organizing such trusts will be unduly large, and they will rapidly accumulate such wealth and power as will enable them to crush out the efforts of independent producers to compete with them.

The Growth of Trusts Due to Falling Prices.

But injurious to the public weal as has been the formation of trusts and combinations, their rapid growth, of late years, is not, to repeat, surprising. As gold has gone on appreciating, consequent on the growing scarcity of money as compared to the increasing demands of a growing population, prices have fallen, and falling prices have cut into the profits of industry. In the face of a rapid and continuous fall of prices no manufacturer who is, by the nature of his business, obliged to carry a large stock of goods in various degrees of manufacture, can prosper, for the constant depreciation of his stock rapidly absorbs his expected profits.

Such manufacturers are irresistibly impelled to seek around for some means of checking the fall of prices which to them is so disastrous. They feel the curtailed demand for their goods, to which the profit-absorbing fall of prices is attributable, but it is not in their power to increase such demand while money is growing scarcer, for it is the quantity of money in the hands of those, or that can be controlled by those desirous of making purchases that makes the demand for goods. When the quantity of money is restricted, when trade is dull, when employment is slack, and when comparatively little money is being dispensed as wages, the demand for goods in general must be proportionately restricted, for no matter how much one may be in need of an article, unless he possesses the wherewithal, the money or the credit with which to purchase it, his desire for such article will not make an effective demand.

So it is that, with falling prices, manufacturers have found demand for their goods slackening and their products accumulating on their hands. Such slackening of demand of necessity results in ruinous losses to them, for they are unable to dispose

of their products save by cutting prices. To get higher prices for their products is to them a necessity. But how to do it? This is the question they are called upon to solve—on the right solution of which their very existence is dependent. It is clear the fall in prices can only be checked by increasing the demand or decreasing the supply. As we have said, it is not in the power of manufacturers to increase the demand for their goods while money is growing scarcer and dearer. They have strenuously striven to extend their markets, to find new buyers for their goods, only to find that buyers are everywhere restricting their purchases, not increasing them; and that the only possibility of making a new market is by displacing the goods of some other manufacturer by underselling him. So they have turned to the other alternative. They have aimed to restrict production, and thus by artificially curtailing the supply to raise prices. But only by combination can prices be raised by restricting production, for where there is no agreement among producers, the effort of some to raise prices by restricting their output will inevitably be nullified by others increasing their product the moment orders are sent to them in larger number as the result of restricted production on the part of others. Thus it is that only by the formation of trusts and combinations can those deciding on curtailing production with a view to raising prices successfully carry out their purpose. Consequently we see the formation of trusts and combinations with startling rapidity. The growth of trusts is injurious to the public weal and dangerous to the body politic; but, as we have said, in view of the constant fall in prices, it is not surprising.

The Growth of Trusts Wrongly Attributed to Protection.

The growth of trusts and combinations has been attributed to protective tariff legislation; but as we have pointed out the true cause is to be found in the appreciation of gold. A true protective tariff will build up, not repress, domestic competition. Indeed, if protectic tariff duties led inevitably to the formation of domestic trusts, combinations and monopolies, the protective

system would be indefensible. But, in the nature of things, a true protective tariff will not build up domestic monopolies, and although the great trusts with which we are now oppressed have grown up during a protective tariff period, they have had their origin in a different cause.

A true protective system, by fostering the development of our natural resources, will tend, as it has in the past, to free us from dependence on foreign monopolists both for a market for our products as well as for what we have to buy. By encouraging the building up of local centers of industry, a true protective system conserves the interests of all classes and redounds to the benefit of all sections of our country. As local industries are established and the factory is brought near to the farm, a market is made near at home for raw products, and the agriculturist, obliged to a less and less degree to seek a market for his products abroad, is relieved of transportation charges to distant markets, relieved of charges of commission merchants, who, of necessity, are more numerous the further the consumer is separated from the producer, and no longer dependent on a single market for the sale of his products, and consequently at the mercy of the buyer, but finding a broader and more certain market near at home, receives more remunerative prices for his products the nearer the factory approaches the farm. And while the agriculturist classes are thus benefited as producers by a true protective system, tending, as it does, to lead to a diversification of employments and an extended market for their products, they are equally benefited as consumers, for a protective tariff does not ultimately enhance prices, but cheapens them.

Protection designed to Free us from Foreign Monopolists.

As local centers of industry are built up, the power of foreign manufacturers to dictate prices to our consumers is broken, for just as soon as they meet domestic competition their monopoly of the market is broken and it is no longer in their power to charge monopoly prices. Thus as domestic industries rise, goods of foreign manufacture are offered at lower and lower

prices, until at last, as our industries are developed and domestic competition arises, the cost of production is so reduced as to make it impossible for foreign manufacturers, handicapped by freight charges and tariff duties, to successfully compete with our manufacturers for our markets, when importations of such goods will cease.

Thus a protective tariff results not in enhancing the price of goods to the consumer, but in reducing the price just so soon as the control of the foreign manufacturer over the market is broken, and to say that a protective tariff enhances the price of manufactured goods to the consumer, because, after the building up of local industrial centers, the British manufacturer offers his goods for export to America at a price below that charged by the American manufacturer equal to the amount of freight charges and tariff duties, is unfair, for the low price at which the British manufacturer offers his goods is in itself the result of the protective system. Unless his monopoly of the American market had been broken by the building up of local industries under the protective system, he would not have had the occasion or been put to the necessity of reducing prices. Moreover, the nearer producer and consumer are brought together, the smaller will be the share of the product of labor absorbed in effecting the exchange of surplus products, the further can the diversification of industries be successfully carried, and consequently, the more remunerative will industry become.

But many Trusts are sheltered by Tariff Duties.

The protective system is then designed to free us from dependence on foreign monopolists, and as we have pointed out a true protective tariff will conserve the interests of all classes. We have further said that the cause of the baneful growth of trusts and combinations is not to be found in the protective system. But it is none the less true that many trusts and combinations, the inevitable outgrowth of falling prices, have taken shelter behind the protective system, and that the protective system has thus in places been made to defeat its own ends, to the injury of all consumers and the discredit of the system.

Tariff duties on articles monopolized by Trusts indefensible.

Where trusts have thus monopolized domestic production under the shelter of the protective system, we urge unhesitatingly the removal of protective duties from all imported articles which domestic trusts and combinations created to control domestic production and repress domestic competition,—thus destroying at home the very benefit which protection along the frontier is intended to secure,—have monopolized.

But to successfully combat the growth of trusts and combinations something more is needed. We must remove the cause of their rapid growth, which is the fall of prices that makes all production, when not protected by artificial restrictions, unprofitable. Remove the cause of falling prices, namely, the appreciation of gold, and just as prices commence to rise, the advantages accruing to producers from combination in trusts for the restriction of production, will disappear. Just as soon as prices commence to rise, consequent on an increasing demand for goods, there will be no longer occasion to curtail production with a view to raising prices, and then there will be no longer occasion for the formation of trusts. And when there is no longer occasion for the formation of trusts to restrict production those trusts already formed can be readily dealt with.

Injustice of the Gold Standard.

In view of the baneful growth of trusts, combinations and monopolies consequent on the fall in prices, the rapid increase of the wealth of the very rich and the increasing poverty and destitution of the poor should excite no surprise. There is a disposition on the part of the rich to accept this seemingly irresistible tendency of the rich to grow richer and the poor to grow poorer as one of the ordained laws of nature; but, on the other hand, the reduction of the producing and middle classes to poverty and the growing gap that threatens to divide our society into two classes, the very rich and the very poor, causes much anxiety and disquietude on the part of all men who have the welfare of mankind at heart. The growing injustice in the distri-

bution of the products of labor caused by the appreciation of gold and falling prices is so great and so apparent, as to cause much unrest among those who do not receive the full reward of their toil, and it is not surprising that many should look to Socialism for a remedy.

Gold Monometallism and Poverty.

As prices have fallen manufacturers have been forced to close their mills, or to cut wages and curtail production. They have suffered great losses from depreciation of stock, contracted markets, and increased competition directly due to the fall in the price of silver—a fall that has resulted in throwing an iron-bound protective tariff of 100 per cent. around all silver-using countries, thus greatly accelerating the growth of domestic manufactures in those countries, which not only supply their own markets, heretofore supplied by the British and American manufacturers, but working under an equal bounty on export, also due to the fall in silver, are competing for our own and other markets. Our manufacturers have also to face increased European competition, for the European manufacturers being no longer able to find a market for their products in silver-using countries, strive with redoubled energy for the only market remaining open to them, namely, the American market.

Against this increasing competition our manufacturers cannot successfully struggle, for the same appreciation of gold that has occasioned the fall in prices and increased Asiatic and European competition has reduced the American farmer to poverty, and thus destroyed the home market. For this restricted market the competition becomes fiercer and fiercer, and the struggling producer cannot stand the strain. The factory hands being reduced to idleness and poverty, can no longer pay the farmer for his products, and the farmer being even more destitute, must cut off his purchases of manufactured goods. Thus a surplus accumulates on the hands of the manufacturer and the farmer at the same time, even though the farmer is insufficiently clad and the wage-earner insufficiently fed.

This is the anomaly caused by the increased value of money, the all-important factor in the distribution of wealth. Money being scarce and dear, the owner charges much for its use. Being concentrated in the hands of money-lenders, they force all trade to be carried on through them, and constituting themselves the only market, are enabled to fix such low prices for the products of labor that the share of the laborer is hardly sufficient to support a bare existence. The producer struggles against this injustice, but without avail, for his natural customer, lacking money, the medium of exchange, has not the ability to purchase. So surplus products accumulate, prices fall, producers are ruined and disheartened, and the money-lenders calmly preach overproduction.

Must End in Socialism or Slavery.

Individual initiative and enterprise being destroyed, industry halts and civilization retrogrades. The question confronts the producing classes, Can we save ourselves from starvation only by becoming the drudges, the slaves of monopolists?

Slavery, then, stares the producing classes in the face. Is there no remedy? Is it ordained that the producing classes must become the slaves of monopolists?

Sixteen centuries ago the Roman agriculturist submitted in despair. To-day our intelligent farmers and wage-earners, nurtured in freedom, in the belief that all men are created equal, cry out intuitively, No! Slavery stares the producing classes in the face, but they will not accept the yoke. The wage-earner feels that a remedy can and will be found, and seek it he will.

Individual initiative and enterprise being destoyed and the wage-earner consequently thrown out of employment, he turns to the State, and demands that if private activity cease, public activity take its place; and suffering from injustice in the distribution of wealth, he asks that the State shall take the place of the individual and corporation and see that the products of labor are justly distributed. Individualism would be destroyed, the great incentive to industry, to invention, to progress given by the hope of individual reward would be removed, society might become

stationary or retrograde, but it is better that all classes should be pulled down to the same level than that the producing classes be enslaved.

It is certain that if the creditor classes continue to grow richer, not from their own energy, but from the unearned increase in the value of their property, money, and at the expense of the poor, private enterprise, personal choice and aim will be lost, and all the interests and all the acts of society will be directed by the nation.

Bimetallism our only Salvation.

The true remedy is to be found in restoring silver to its place as money, thus increasing the volume of money, making direct interchange between producer and consumer possible, and destroying the power of the trading classes. Then the trading classes could not charge a monopoly price for their services, the products of labor would be more justly distributed, individual initiative and enterprise would return, and then there would be no need of the State taking the place of the individual in production.

Of course, monopolies in a restricted sense would probably remain, and when such monopolies and corporations are taking advantage of franchises granted by the State and charging the public unduly for the use of privileges given to them by the representatives of the people, the nation may, and rightly, be called on to interfere and see that such enterprises are managed in the interests of the public. And if this cannot otherwise be done, it will be the duty of the State to recall the franchises and assume the management of such enterprises as have grown into monopolies.

CHAPTER XX.

Railroads, Stock-Jobbers and Overcapitalization.

Prosperity of Railroads dependent on the prosperity of the communities through which they run.—Anything that curtails the profits of industry impairs the ability of railroads to earn and pay dividends.—The gold standard inimical to the interests of railroad stockholders.—Yet supported by railroad managers at the dictation of the money cliques.—Railroads used as footballs of speculation.—Systematically overcapitalized.—The aggressions of centralized capital.—Why the speculative cliques support the gold standard.—Impelled by self-interest.—Falling prices lead to a glut of money in the financial centers.—The speculators profit in this.—Unloading watered stocks on the public.—Magnitude of stock-watering.—Overcapitalization of street railways.—The interests of speculators conserved by our National Bank act to the prejudice of the producing classes.

Of all our great corporations the railroads are the greatest debtors. They are all heavily bonded, many to several times their actual value, and as prices have fallen from year to year their fixed charges have become more and more burdensome. Consequently their assets have dwindled little by little and their ability to earn dividends and interest impaired.

Interests of Railroad Stockholders.

The prosperity of railroads is dependent on the prosperity of the communities through which they run, and from which they draw their business. When many mills and factories are idle, when others are running on part time, when mines are closed down, and when the productive capacity of the people is thus reduced, the demand for transportation facilities is of necessity curtailed, for less being produced, there is consequently less to be exchanged, railroads have less freight to carry, and competition obliges them to carry what freight there is at reduced rates. As a result the earnings of railroads are reduced, payment of dividends becomes impossible, interest charges are in many cases defaulted, and roads forced into the hands of receivers.

During the past few years, as the fall in prices has become more and more marked, production, whether on the farm, in the

mill or in the mine, has become less and less profitable, and naturally production has been curtailed. The wage-earner in the manufacturing or mining town, much of the time out of work, and when at work at lower wages, receiving less, has less to spend. Consequently the market for the products of the farm is restricted, while in turn the farmer, finding the market restricted, is obliged to sell his products at lower prices, and as a result, receiving less in return for his labor, has less to spend for manufactured goods. The desires, the wants of wage-earners and farmers, are as great as ever, but their ability to purchase is curtailed. Consequently the demand for transportation from the factory to the farm, and from the farm to the factory has become less with the fall in prices, and the earnings of the railroads have fallen proportionately.

But while the earnings of railroads have fallen, their interest charges have not. The total bonded indebtedness of our railroads on June 30, 1894, as given by the report of the Inter-State Commerce Commission for 1895, was $5,356,583,019, or over $31,000 for each mile of line. The greater part of this vast sum calls for a fixed amount of interest, whether times are good or bad, whether earnings are large or small.

Not Conserved by the Gold Standard.

Burdened with this vast debt that grows in weight as prices fall and the earning capacity of the railroads is curtailed, the ability of the railroads to earn dividends for their stockholders has decreased from year to year, and payment of dividends has been stopped by one road after another, so that now not more than one-third of the capital stock issued by our railroads is dividend-paying stock. In many cases suspension of dividends has been followed by default of interest on bonded indebtedness, followed by receivership, and reorganization in which shareholders fare badly, or foreclosure, in which they have lost their equity in the property.

In view of the fact that falling prices are destructive of the interests of railroad stockholders, leading, as they inevitably do,

to curtailed production and restricted demand for transportation services, it is somewhat surprising that railroad managers, elected by the stockholders presumably to run the roads in the interests of those they represent, should lend their individual aid and the power of the corporations they manage in support of the appreciating gold standard.

Yet Railroad Managers Advocate the Gold Standard.

The interests of the stockholders of railroads would be best conserved by a policy that would check the appreciation of gold and the fall in prices, thus restoring prosperity to the producing classes and increasing the earning capacity of the railroads. Therefore the interests of stockholders would be best protected by the restoration of bimetallism, yet railroad managers in general advocate the gold standard, although the maintenance of the gold standard is undoubtedly inimical to the interests of the stockholders whom they represent.

But we apprehend a great many of the managers of our railroads support the gold-monometallic policy not because they believe by so doing they best serve to protect the interests entrusted to their care, but because they fear to move counter to the desires of the money cliques of New York and London.

As the continued depression has become more and more severe, railroad tonnage and rates have fallen constantly, while the burden of the fixed charges has increased until at last, in one railroad after another, the net earnings have so fallen that interest charges cannot be met. The question then presents itself to the managers, Shall we apply for a receivership or attempt to borrow the money to pay the interest we have not earned? Hoping against hope that the depression is only temporary, and that when the new loan becomes due they will be able to pay it, they decide to borrow. They go of necessity to the great bankers who have been instrumental in bringing about the prevailing distress, and, pledging their assets, they borrow on call or short time and at ruinous rates of interest the money necessary to tide them over and pay the interest defaulted on securities which are held in many

cases by those who loan them the money. But the short respite avails nothing, times do not improve, interest is again in default and the loan falls due. The railroads ask for an extension and another new loan, but they must pay dearer than ever for it, and even a promise is exacted that they will use the power of their corporations to support the gold-monometallic policy—a policy that makes the loans more and more valuable and harder to meet. If they should dare to support the policy of bimetallism the loans are called and renewals refused, and if they will not retract they are ruined. Meanwhile the railroads become less and less able to resist and the clutches of the great bankers become more firmly fixed. Finally, when the crash comes, those who loaned the money to pay defaulted interest take the property, to the ruin of the stockholders and junior bondholders. The putting off of the inevitable crash only serves to make it more disastrous when it comes.

To the Great Loss of the Stockholders.

Falling prices are destructive of the interests of the stockholders of railroad corporations, and the policy of gold-monometallism so blindly advocated by the managers of railroads in general, leading to lower prices and general depression, inevitably impairs the earning capacity of railroads, and their ability to earn and pay dividends. We have referred to the enormous bonded indebtedness of our railroad corporations, to an amount of over five billion dollars, and how as prices have fallen, leading to business depression, interest charges have absorbed a greater and greater portion of the earnings of railroads, until in many cases nothing remains for division among the stockholders.

Indeed, the stockholders of those roads that have been able to earn interest charges in full, although earning nothing on the stock, may be regarded as fortunate. The continuous fall of prices, resulting in general depression and decrease of earnings, has obliged many roads to default on their interest charges, and forced them into receivers' hands, to the great loss of their stockholders.

A railroad forced into receivers' hands, the stockholders have but two alternatives. They must advance the money necessary to pay off the floating indebtedness and pay the defaulted interest, receiving in return securities of at best but doubtful value, and thus make possible the re-organization of the road without foreclosure, or, failing to do so, submit to the foreclosure of the road under a mortgage on which interest is in default, and the wiping out of their equity in the property, the property passing into the possession and management of old bondholders. In short the stockholders must pay the cost of reorganizing an embarrassed railroad, or suffer the loss of their equity in the property, the stock certificates they hold becoming worthless on their hands.

Managers of railroads giving their support to the appreciating gold standard that enhances the interest of the bondholders in the earnings of the properties, and that accrues to the benefit of the bondholders, not to the stockholders, the conclusion is irresistible that the railroads are not, in general, run in the interests of stockholders.

In whose Interest are the Railroads Run?

Naturally the question suggests itself: In whose interests are the railroads run?

Unfortunately they are operated with little regard to the interests of the communities through which they run, although enjoying valuable franchises conferred by the same communities, and dependent for their own prosperity upon the prosperity of the producers of such communities, whose true interests they often systematically antagonize, and whose industries, by unjust discrimination, they too often stifle. The interests of their stockholders lie in pursuit of the same policy that would best conserve the interests of the people along their lines,—in making it easy to build up industries and local centers from which to draw profitable business. Yet such a policy is all too seldom pursued by railroad managers. Our railroads have too often, generally, fallen into the hands of those who use the power entrusted to them to promote their own interests, and who use the railroads as great

speculative engines, to the great loss of the public, the ultimate loss of the stockholders, and to their own profit.

Used as Footballs of Speculation.

In general systematically over-capitalized, an over-capitalization inaugurated with the organization of the companies, and ending only with insolvency and foreclosure, our railroads have been made the footballs of speculation.

With the organization of a railroad, and during the process of construction, bonds and stock are almost invariably issued of par value much in excess of the cost of construction. The bonds issued to cover cost of construction are invariably sold much below par, and often an amount of stock equal to the par value of the bonds sold, and purporting on its face to be full paid but representing the investment of no actual capital whatever, is given away as a bonus to the negotiators who sell the bonds and to the promoters of the enterprise. Such over-capitalization is as patent as it is unjustifiable and detrimental to the interests of the public. The effort to earn interest and dividends on a nominal capital representing two or three times the investment of actual capital leads to high charges for freight and passenger transportation, and these, resting as a tax on the exchange of products; hamper production.

Freight and passenger charges should be fixed at rates that will enable railroads to make a liberal return on the amount of capital actually invested, but it is an injustice to charge the public for transportation services high rates such as will enable the railroads to pay interest or dividends on bonds and stocks which are not, and never were, represented by an actual investment of capital.

Systematic Overcapitalization.

The process of over-capitalization does not stop with the completion of a railroad, but is continued systematically through all the vicissitudes of fortune through which a railroad may pass, until finally the road is foreclosed, the interests of stock-

holders and junior bondholders wiped out, and a new company organized, when the process of over-capitalization is started anew. Even when the weight of over-capitalization has manifestly forced a road into receivers' hands, the road often emerges from receivership with a still greater capitalization. No stocks, no bonds are cancelled unless to be replaced by new issues, and to the stockholders and junior bondholders who advance the money necessary to pay off the floating debts and organize the company, and to the bankers who undertake to reorganize the road, as part commission for their services, are issued securities, generally preferred stock and income bonds on which interest and dividends are only paid if earned, to several times the amount of actual capital advanced. The road thus reorganized, the effort is made to pay interest on such new capital, and this is often accomplished in whole or part by apparently cutting down operating expenses, by paying for needed repairs with borrowed money instead of out of earnings, and distributing the bogus earnings thus obtained among junior bondholders and stockholders. The market value of such securities being thus artificially inflated, and the speculative cliques thus enabled to dispose of their holdings at great profit to a confiding public, the effort to bolster up the value of such securities is discontinued, dividends cease, interest is defaulted, and the road allowed to drift into receivership for a repetition of this systematic system of robbery. In this way the market value of railroad securities is first inflated and then depressed to the great advantage of the speculative cliques.

The Aggressions of Centralized Capital.

But this is not the only way in which the speculative cliques use the railroads to their own great profit and the injury of the public. Centralized capital not only preys upon the savings of confiding investors, but it preys systematically upon the community, individuals, small associations, and struggling corporations. The process of the speculative cliques is deliberate. We have spoken of the systematic over-capitalization of railroads in connection with reorganization. Managed in the interests of centralized capital,

railroads emerge from receivership with the amount on which interest is fixed made small, while that on which interest may be paid and divided is made large, the two together far exceeding the original capitalization. Upon the basis of the fixed charges, low rates are made to secure the location of manufactories along the line; then, these being secured, it is announced that the road cannot be operated at the rates established. Rates are then advanced to a point where not only the fixed charges will be met, but a dividend will be earned upon the deferred securities and the stock. In this process the unfortunate manufacturers or miners who have established themselves along the line, upon the faith of the maintenance of the low freight rates, are slowly, if not immediately, reduced to ruin. But while they suffer this exhaustion, the public, deceived by the apparent prosperity of the road, has bought the "junior" securities and the stock at prices yielding the managers of the operation a great profit, and this chapter of the process by which concentrated capital increases itself is complete.

Next we have the other side of the see-saw. The speculative cliques, no longer interested in the stock and junior bonds which they have sold to a confiding public, and the best of the industries along the line having been secured from their discouraged or ruined owners, at a small proportion of their cost, the announcement is made that transportation rates must be reduced. The "juniors" and the stock, no longer owned by the cliques, are therefore stripped of returns, while on the other hand vitality returns to the industrial operations, now owned by the cliques, which are reorganized and recapitalized. Alarm and distrust falling on financial circles, investors hasten to throw overboard their holdings, railroads are forced into receivers' hands, the speculative cliques pick up the securities which investors throw over at prices artificially depressed, and the cycle of systematic robbery is complete to be begun anew.

The appreciation of gold aggravates the evils of over-capitalization. It is, in fact, the most powerful of speculative engines, working to the benefit of the speculative classes and the infinite injury of all producers.

Stock Jobbers Opposed to Bimetallism.

Therefore it is only natural that the speculative cliques should look upon the restoration of bimetallism with alarm. From the great fall in prices, that has made productive enterprises unprofitable and driven money out of the channels of industry, they have profited, for as money that under other conditions would find employment in productive industries has accumulated in the financial centers, interest rates have fallen, and they have found it easier to obtain advances from the banks with which to carry out their speculative schemes.

In short, falling prices have diverted money from the channels of production, into the channels of speculation, and the speculative cliques are naturally opposed to anything that will change this tendency of money to accumulate in the banks of the financial centers, where it is, to a large extent, placed at their disposal. Consequently, they find their interests conserved by the maintenance of the appreciating gold standard, that by making productive enterprises unprofitable, causes money to flow from the local centers of industry into the financial centers.

Impelled by Self-interest.

The unanimity with which promoters, stock jobbers and speculators in general, who are struggling under loads of watered and unsalable stocks and bonds, support the appreciating gold standard, should therefore excite no surprise. They are impelled to this course by force of circumstances and by the powerful incentive of direct interest. The great need of these promoters and speculators is an "easy money market," and nothing is so conducive to a plethora of money in the financial centers and low rates of interest as the appreciation of money. Their ability to carry their loads of watered stock, until they can shift the burden to the shoulders of a deluded and confiding public with much profit to themselves, depends on their power to borrow with facility and at low rates of interest. If they are unable to borrow money on the next-to-worthless securities, representing little, if any, real investment of capital, but bolstered

up in price by a manipulation of the stock markets, they are not only no longer able to support the price of their securities, but must of necessity throw them on the market, where, naturally finding no purchasers, the purely speculative value shrinks enormously and the speculators find themselves ruined.

Knowing that a policy that makes investments in manufacturing and other productive industries unprofitable diverts money from such industries and the employment of labor, drives it to seek investment in such secured loans as are offered in the financial centres, and must of necessity make interest rates low and facilitate borrowing, naturally the promoters, stock-jobbers, etc., are ardent advocates of the gold standard. As gold appreciates and prices fall production is checked, exchange of products becomes slow, and the demand for money to promote commerce and aid production slackens. As a result money accumulates in the banks and interest rates rule low. The demand for money of those engaged in productive enterprises being checked, the field is left open to the speculators, who being thus relieved from active competition in the demand for loans are able to borrow easily and at low rates.

Low Interest Rates in the Financial Centers.

So slight has been the demand for money in London (the great center to which the money of the world will tend to flow just so long as gold continues to appreciate) that since February, 1894, the rate of discount of the Bank of England has been held at the minimum of 2 per cent., while short loans have been readily obtainable on such securities as have a stock exchange quotation at much lower rates. The demand for money by the producing classes has so entirely ceased that money has become a veritable drug on the London market. And how could it be otherwise when as the result of falling prices the man who borrows and builds a factory of any kind finds his factory, when finished, unprofitable and not worth the money invested in it, and when the farmer has no incentive to improve his farm for similar reasons.

When prices are falling the productive classes only come

into the markets to borrow when they are forced to seek a renewal of an old loan, or when through the impossibility of disposing of their products they are forced to pledge and borrow on these products. And these products are not looked upon as good security when continually falling in value, and the borrower must therefore pay abnormally high interest to cover risk and put up a large margin as security. It is naturally the desire of the speculators and those wishing to carry speculative stocks at low rates of interest that prices should continue to fall, for as a result the producing classes, becoming more and more impoverished, are looked upon by the banks as less and less desirable as customers, and the funds of the banks, being diverted from the use of the producing classes, are placed at the disposal of those seeking loans on stock exchange securities.

The low rates of interest in the world's financial center, already referred to, are reflected in the falling off of the dividends of the London banks, but money has so appreciated that the stockholders have been really benefited. Although the dividend-earning capacity of the banks has fallen off, the market value of the shares has actually increased. From the same cause the market value of well-secured but low interest-bearing bonds has increased all over the world.

Unloading Watered Securities on the Public.

The ability of speculators and stock jobbers to make high quotations and make (reported) sales of more or less watered and worthless stocks at high prices is well known by those familiar with the manipulations of the stock exchanges. It is easy to bid up prices and make high quotations when the clique that is manipulating prices and making an apparent market control the entire issue of the watered stock. The buyer and seller being in reality the same person, no difficulty is found in advancing prices. The trials of the clique only come when, having disposed of a portion of the stock to a fooled public, they endeavor to further advance prices and thus secure a market for the balance of their holdings. This takes careful manipulation,

and the spread of dishonest and doctored reports is then resorted to in an endeavor to prevent the public from unloading on the clique and thus forcing the speculators to assume again the load of worthless securities put off on the public. To induce the public to keep the securities and buy more, the stock jobbers, the tools of promoting bankers, willingly advance their customers the greater part of the money with which to purchase the watered and manipulated stocks, and therefore, in unloading on the public, the aid of the banks in supplying money at low rates of interest is indispensable.

Evils of Overcapitalization and Stock Watering.

The evils and magnitude of stock watering, or the issue of certificates of stock purporting to be full paid and representing an actual investment of capital, but in reality representing no investment of money, on which no money has been paid in, and which are given away to the promoters of enterprises as a bonus for their services in securing the money actually invested, and which is generally secured by a mortgage having, of course, a lien on all the money invested, are, unfortunately, too little understood. In the last few years it has been nowhere more striking than in the extension and recapitalization of street railways. In the summer of 1895 the *Street Railway Journal* reported a mileage of 13,558 miles of street railway track (10,363 miles being operated by electric power), owned by 976 companies. These companies, many of which are leased and otherwise absorbed by larger systems, are capitalized at $1,300,139,711, or about $95,600 per mile of track; $552,125,505 of this, or about $40,600 per mile, being represented by funded debt, and the balance, about $55,000 per mile, by capital stock. At each consolidation the capital has been added to without the investment, in many cases, of a single dollar of new capital; but the enormous overcapitalization and the criminal extent of the watering become at once apparent when we compare the capitalization of the street railways with the steam railroads.

The steam railroads of the United States are capitalized at

$62,951 per mile of line, and the street railways at $95,000, 50 per cent. more! and much of this for the greater part fictitious capital sells at above par, while the people who have granted franchises to the street railways are charged high fares, not to pay expenses and interest on actual money invested, but to pay others for the use of their own inherent privileges unwisely granted to grasping corporations.

In loaning on such securities the banks are treading on very dangerous ground. Fearing, wisely or unwisely, to loan money to the producing classes who have been impoverished by the appreciation of gold and the fall in prices, they are recklessly loaning the money of their depositors on securities of no real value, but whose speculative value they aid to maintain by liberal accommodation granted to speculators and stock gamblers.

Our National Bank Act Promotes Speculation.

Moreover our whole banking system as organized under the National Bank Act, which we have seen authorizes the country banks to keep sixty per cent. and the Reserve City banks fifty per cent. of their required reserve on deposit with the New York banks, thus leading to an undue accumulation of the funds of the country banks in New York, serves to promote the speculative transactions of stock gamblers. It is imperative that this tendency of our National Bank Act to divert money from local channels of industry and center it in the New York banks where it is at the service of speculators should be checked. The first step, and one that is imperatively demanded, not alone for this reason, but because the keeping of the reserves of the country banks in the reserve cities exposes their depositors to needless risks and gives them no real security, is to repeal those sections of the national bank act that permit all banks outside of the Reserve Cities to keep three-fifths of the required reserve on deposit with banks in such Reserve Cities, and that permit the banks in the Reserve Cities to keep one-half of their reserve on deposit with national banks in the Central Reserve Cities, and to require all national banks to keep their reserves in their own vaults.

CHAPTER XXI.

Sound Money and an Honest Dollar.

Ambiguous use of the catch phrases "Sound Money, "Honest Dollar," "Fifty-cent Dollar."—What is Sound Money?—Secretary Morton's definition.—Not acceptable to the gold monometallists, as gold tested by Mr. Morton's definition is not "Sound Money."—C. Stuart Patterson on "Sound Money."—"Good Money" and "Bad Money."—The fire test.—Absurdity of measuring gold by itself.—Care taken to insure the exactitude of weights and measures.—Yet governments cajoled into tampering with the monetary yardstick.—No such thing as a "Fifty-cent Dollar."—The value of silver as bullion and silver as coin.—Parity of gold and silver coin.—Why maintained.—What is an "Honest Dollar?"—True test of an Honest Dollar.—Gold not an honest measure of value.—Relative stability of gold and silver.

THE ambiguous and absolutely indifferent use of such terms as "Sound Money," "Honest Dollar," "Fifty-cent Dollar," etc., by the gold-monometallists, has made such terms as meaningless and indefinite as their use is constant and childish. That those who intersperse such phrases so freely in their arguments are not clear in their own minds as to the meaning of the terms they use so promiscuously is shown by the indiscriminate use of such terms, now in one connection, now in another; now with one meaning, now with another. Indeed, the gold contractionists seem to be indifferent whether such phrases as they promiscuously use convey any meaning or not, their great object being to throw a stigma on all those who hold views other than their own.

Meeting the logic and facts presented by the bimetallists with bald assertions and ridicule they do their best to shut off all fair discussion of the subject, adopting the tactics of the defeated debater, who, no longer able to answer the arguments of his opponent, urges his partisans to howl them down.

Not only do gold-monometallists not agree in their definitions of "Sound Money," but their very definitions are contradictory in themselves.

It is not without a little difficulty and much sifting that we can get at the meaning of the gold-monometallists, who are prone

to shift their position as occasion requires; but boiled down and eliminating all intermediate use of the term, gold-monometallists use and define the term "Sound Money" in two ways, so radically opposite as to be ludicrous.

Secretary Morton on Sound Money.

Early in 1895 Hon. J. Sterling Morton, Secretary of Agriculture, defined "Sound Money" as "that sort of currency which has the most universal and least fluctuating purchasing power in the markets of all countries," and he declared "gold to be the best and least fluctuating measure of value." This definition really has worth, and clearly defined the term "Sound Money" as used by Mr. Morton, and at the time it was widely copied, endorsed and eulogized by the gold press.

But tested by Mr. Morton's definition, gold is not "Sound Money," for it is far from the most stable or even a stable measure of value. It was not hard for bimetallists to show that by this definition, silver, discarded and degraded as it is, is a sounder measure of value than gold, and hence sounder money. The purchasing power of gold has increased 66 per cent., as shown by Mr. Sauerbeck's tables of English prices compared to average prices of 1867–77, and measured by the leading agricultural products in the United States and such other commodities as come into direct competition with the products of silver-using countries, the purchasing power of the gold dollar has doubled since 1873, while the purchasing power of silver in silver-using countries has remained practically the same.

It soon became apparent that Mr. Morton had given the case of the gold-monometallists away. His definition was no longer acceptable. He had departed too far from "glittering generalities," and had thus exposed the weakness of the claims of the gold-monometallists. President Cleveland took occasion to say his Secretary did not speak for him, and the over-hasty gold organs, which had endorsed the position of Mr. Morton, let the discussion drop as gracefully as they could, while Mr. Morton, nothing daunted, went forth to win other laurels of a similar kind.

Another Definition of Sound Money.

So when some months later Mr. C. Stuart Patterson, Chairman of the Sound Money League of Pennsylvania—a League that advocates the gold dollar a dollar worth 200 cents compared to the gold dollar of 1873, and therefore dishonest, tested by the definition of "sound money" accepted by Mr. Morton—a League that hides the advocacy of a "dishonest dollar" behind a misleading name—gave out what purported to be a definition of "sound money," it was eagerly seized and adopted by the supporters of gold-monometallism and the hard-pressed users of the terms "sound money" and its corollaries.

"Sound money," said Mr. Patterson, "is, first, that whose market value as a commodity is equivalent to its face value as money; or, second, that which is representative in character, and, having little or no market value as a commodity, is convertible at par into money of the first kind."

Under the second head Mr. Patterson included all our paper money, silver dollars and subsidiary currency, etc., as "sound money." What then becomes of this ado about our silver dollar being a "dishonest" and "50-cent dollar?" Mr. Patterson says we have no "50-cent dollar," and this cannot be denied. We have but one dollar, a gold dollar, as a measure of value, and that dollar is of course a 100-cent dollar, because 1 cent is the hundreth part of a dollar, but the purchasing power of this dollar is double the purchasing power of the dollar of 1873.

"Good Money" and "Bad Money."

This brings the definition of sound money down to that given for "good money" in contradistinction to "bad money" by that oracle of the gold monometallists, Mr. Edward Atkinson. Borrowing the words of a distinguished French economist, Henri Cernuschi, now dead, Mr. Atkinson tells us :—

"It is by the ordeal of fire that money may be tried. The coins which, being melted down, retain the entire value for which they were legal tender before they were melted down are good money. Those which do not retain it are not good money."

Therefore the gold dollar is honest and good money because its bullion value is 100 cents; the silver dollar dishonest and bad money because if melted down the bullion in the silver dollar will only fetch 53 cents in gold.

In arguing that silver is only fit for token coinage and is not suitable for standard money, the gold monometallists point to the fact that the bullion and coin value of silver have fallen apart, but they ignore the reason therefor. They do not stop to consider that the parity of gold bullion and coin is secured by privileges of mintage granted to gold but denied to silver.

Treat silver like gold, that is, freely convert bullion into coin without limit, and at once the parity between silver bullion and silver coin will be assured, as it is between gold bullion and coin. Gold possesses no inherent qualities that give it stability of value, and that the bullion in the dollar is worth as a commodity 100 cents is due to the fact that bullion can be freely converted into coin, to this and nothing else.

What Would Happen if Gold were Demonetized?

Suppose in view of the increased production of gold in the Transvaal, that the United States, England, France and Germany should decide to limit the coinage of gold to some thousands of dollars a day, bought and coined on government account, what would happen? Would the value of gold bullion in gold coin still equal as a commodity the value of the coins? Certainly not. The owner of gold bullion having no longer the right to convert his bullion into coin, surely and without delay or cost, and desiring to realize on his bullion, would have to seek a purchaser. But a purchaser for the bullion at par with coin could not be found, for the purchaser would have to be recompensed for the delays and risks he assumed in purchasing the bullion. Immediately all gold bullion would become simply merchandise, with a fluctuating and speculative value measured by the gold coins in circulation, depending on three circumstances: First, the production of gold; second, the extent of the limited quantity of gold accepted by the mints for coinage, and third, the demand for use in the arts. The

supply exceeding the demand for coinage, the excess would press for sale on the bullion market, and to the extent that this supply exceeded the demand for use in the arts, the price of bullion would fall.

This is what has happened to silver. Its market has been curtailed while the demand for gold has been broadened. The only wonder is that silver has maintained its value as well as it has. The demand for silver in the East has been almost, if not quite sufficient to maintain its value, not of course in relation to gold, but compared to other commodities. It is not so much silver that has depreciated, for, measured in anything else than gold, silver has fallen very little, as it is gold that has appreciated.

Absurdity of Measuring Gold by Itself.

So accustomed have the gold-monometallists become to measuring the gold dollar by itself, and proving to their own outward satisfaction by the use of a measure which expands and contracts in exact degree with the thing measured that gold is invariable, that great numbers of people have come to believe that gold possesses some inherent quality that secures its stability as a measure of value. And so we have come to look upon the increased value of gold as a fall in the value of all other commodities, and this false idea becomes firmly fixed in many minds by the custom of always speaking of a rise in the value of gold as a fall in the price of goods. We speak of falling prices when we mean nothing of the kind, just as we speak of the rising and setting of the sun. The only difference is that in the latter case the misuse of terms is understood by everyone and therefore harms no one, while the misuse in the former not being so generally understood, infinite harm is done to all.

Indeed, the whole argument of the gold-monometallist rests on the false assumption that gold is invariable in value and not governed by general economic laws. Before silver was demonetized, no economist treated gold as an invariable measure of value, but driven by their necessities the gold-monometallists have taken to measuring gold by itself, thus fostering the superstition that

gold possesses certain inherent qualities which give it an unchangeable value, and thus peculiarly fit it for a standard of value. So they tell us the gold dollar is worth a hundred cents and that therefore its value has neither risen nor fallen !

The Dollar must Equal Itself.

It is surprising that such an absurd attempt to show the value of the gold dollar by measuring it by itself should not excite ridicule. For how could the dollar be worth more or less than one hundred cents ? The cent is the one-hundredth part of the dollar, and therefore 100 cents must equal the dollar. The purchasing power of the dollar may be trebled, but it still must equal 100 cents, for if the value of the dollar is trebled, the value of the cent must be trebled also. To say that the dollar is worth 100 cents is to say that 25.8 grains of standard gold are worth 100 times $\frac{258}{1000}$ grain of gold, or 25.8 grains. We might as well say a pound of iron is worth a pound of iron, or a bushel of wheat is worth a bushel of wheat. It is as absurd to say that a dollar is always worth 100 cents, and that therefore its value is fixed, as it would be to say that because the pound of iron always contains sixteen ounces its value never changes.

But, say the gold-monometallists, the gold dollar is worth 100 cents and the so-called silver dollar is worth only 50 cents. But this does not show that the purchasing power of gold is fixed and that silver has depreciated 50 per cent. Of course, the gold dollar is worth 100 cents in gold, but this does not show that its value has not changed. So also the Mexican dollar is worth 100 cents in Mexico, and in the language of the Mexicans it is gold that has appreciated and silver that is stable ; but this does not show that silver has not changed in value.

If we would arrive at the true facts we must not measure gold by gold, or silver by silver, nor must we measure silver by gold, or gold by silver, but we must measure gold and silver by commodities. When we do so we find that measured in silver prices have remained comparatively stable, but measured in gold they have fallen on an average since 1873 by some 40 per cent.

This shows that it is not so much silver that has depreciated as it is gold that has appreciated.

To say that the gold dollar is worth 100 cents is as meaningless as it is absurd. If we desire to state correctly the worth of the gold dollar we should stop measuring it by itself and measure it by its power to purchase commodities, and finding that the purchasing power of gold has appreciated we could correctly express it at this time by saying that $1 to-day is equal in purchasing power to $1.65 before the demonetization of silver.

Guarding Against False Weights and Measures.

In order to facilitate commerce and avoid wrangling between buyers and sellers, which must of necessity result in losses to both, thus placing an unnecessary tax on the exchange of products, it is indispensable that weights and measures should be determined with absolute exactitude. No people would tolerate a yardstick of perpetually-changing length, a pound of changing weight or a gallon or bushel of changing capacity. Governments have taken precautions to protect their people against the perils and losses occasioned by false weights and measures, to fix them with scrupulous care, and to place weights and measures on such a permanent basis and bind them so firmly, hard and fast, that they cannot vary in any degree whatsoever.

At an enormous amount of work and painstaking, and with a view of obtaining unimpeachable exactitude, the French Government in inaugurating the metric system of weights and measures, incurred the expense of measuring a quadrant of a great circle of the earth, and assumed as her unit of length the *meter*, the ten-millionth part of the quadrant thus measured and ascertained. The cube of the tenth part of the meter she adopted as her unit for the measure of quantity, the *liter*, and she based the unit of weight, the *gramme*, on the thousandth part of a liter of water at 4° centigrade. Thus France has fixed absolutely the measures of length, weight and capacity.

The English system, which we have adopted, is not based on such a scientific basis; but, at stated periods, in conformity with

an old custom, and with much pomp and ceremony, the official standard of length, which is of bronze, is taken from the Tower in London, where it is kept under lock and seal, and compared with the existing measures for verification.

Tampering with the Measure of Value,

Such care and such ceremony go to show with what importance, and rightly, governments look upon the necessity of having fixed and permanent measures. Yet, after all this painstaking to secure precise measures of weight, capacity and area, governments have been cajoled into tampering with the most important measure of all, the measure of value, so as to double its value.

The great recommendation of gold and silver as a standard with which to compare the value of commodities, is their natural tendency to steadiness, for while the total quantity of wheat or cotton or sugar produced in any year is consumed within the year, and a crop failure may make a change of 100 per cent. in price, the quantity of gold and silver produced in any year bears only a small proportion to the total stock in existence, and therefore a total failure of production or a doubling of production in any one year can only have a gradual and small tendency, either to raise or depress their value.

So long as gold and silver were used jointly, fluctuations and considerable fluctuations in value occurred, but they were gradual and comparatively harmless. When gold and silver were linked together a "compound standard of value was established similar in its action to the compensating pendulum, or an automatic equilibrating apparatus, which, though not so absolutely invariable as the other standards (measures of weight, quantity and distance), was as nearly so as anything that human ingenuity has been able yet to devise, and this system worked well and to the complete satisfaction of the entire commercial world, so long as it was in use." (W. S. Wetmore.) But when silver was discarded and the burden of effecting the exchanges of the western world thrown on gold alone, gold fluctuated violently and constantly upwards.

No such thing as a Fifty-cent Dollar.

The gold-monometallists never tire of telling us that the silver dollar is worth but fifty cents, yet it is indisputable that the silver dollar is worth just as much, will purchase just as much, and is as readily accepted in payment for purchases, or in settlement for debts, as gold or its equivalent. We can pay a debt of $10 just as readily with silver certificates or ten silver dollars as we can with a gold eagle; we can buy no more with a gold eagle than with a silver certificate for $10; no merchant will sell his goods cheaper for gold than silver, yet we are told the silver dollar is worth but fifty cents. Silver coined as money fills all the functions of money just as well as gold, and it is as readily accepted, the silver dollar as money being worth just as much as gold.

Silver Dollar not Redeemed in Gold.

The notion is widely prevalent that silver coin only circulates concurrently with, and at par with gold coin because redeemable in gold. This belief is not only not founded on reason, but is disproven by the facts.

Like the $434,000,000 full legal tender silver money in circulation in France our silver dollars have a value as money equal to gold, not because they are redeemable in gold, but because they fill the same money functions as gold, and because there is the same monetary demand for silver coin as for gold. It is because our 51,000,000 silver dollars in circulation, like the $434,000,000 of French silver, have the same money value as $51,000,000 in gold, not because they are redeemable in gold, that they circulate concurrently with and at par with gold.

Why the Silver Dollar is Worth More as Coin Than Bullion.

It is true the amount of bullion contained in the silver dollar is worth at this time but 53 cents, that 371¼ grains of uncoined silver are worth but 53 cents in gold, but the same amount of silver in the shape of coin is worth 100 cents in gold, and is, in fact, a dollar in every way the equal of gold. But

what does this prove? Why is it that we find 371¼ grains of silver worth 47 cents more in the shape of coin than in the shape of bullion? It is not, as often stated, because the silver dollar is redeemable in gold, for it is not by law redeemable in anything; it rests on its own basis, and it is not and never has been redeemed in gold or anything else, but simply because there is a greater demand for silver that has been coined than for silver as bullion. Silver as coin is subjected to the monetary demand, while silver as bullion is not. It is this and nothing else that makes 371¼ grains of silver coined into a dollar worth 47 cents more than 371¼ grains of silver bullion.

The relative values of the silver dollar and of silver bullion are fixed by the law of supply and demand. The mints being closed to the free coinage of silver in the principal countries of the western world, the demand for silver as bullion is restricted to the demands of jewelers and others for use in the arts, the demands for silver for export to the Orient, and the spasmodic demands of the mints of the western world for silver for manufacture into token coinage. For silver bullion this makes the demand. The supply consists of the total product of the mines and of such old and worn-out silverware as is melted down from time to time.

But the relative supply and demand for silver coined into dollars is very different. Silver dollars being the equal of gold as money and fulfilling all the money functions just as well as gold, they share with gold and other representative moneys based on gold, the monetary demand. And, on the other hand, the supply of silver dollars is rigidly restricted and limited to the number already coined. Thus, while the demand for silver as dollars is greater than the demand for silver as bullion, the supply is smaller. Naturally, therefore, the value of silver coined into dollars is greater than the value of silver bullion, and must so remain so long as the mints are closed to silver, and the monetary demand is cut off from silver bullion, and while the supply of silver dollars is arbitrarily limited.

The Parity of Gold and Silver Coin.

Thus it is that the monetary demand gives a greater value to silver dollars than the same weight of silver bullion, and it is the monetary demand that, acting automatically, gives to the silver dollar always the same value, no more, no less, as the gold dollar, and makes one at all times the equal of the other. Any tendency of the two dollars to fall apart is at once checked by the monetary demand for the dollar that tends to appreciate as measured by the other decreasing while the demand for the cheaper increases. Thus the cheapest tends to rise with the increasing demand and the dearest to fall with the decreasing demand. For example, should our silver dollar fall in price, as measured by gold or greenbacks, so that the silver dollar could be bought for 99 cents in gold or its equivalent, what would be the result? Silver being equal to gold as money, and going just as far as gold, all those having payments to make, and having gold or greenbacks in their possession, would hasten to exchange their gold and greenbacks for silver dollars, for as $100 in gold or greenbacks would go no farther in making payments than 100 silver dollars, which they could buy with $99 in gold or greenbacks, it would be to their interest to make the exchange, for by so doing they would save $1 on every $100 tendered in payment for purchases. Consequently, the demand for silver dollars would increase while the demand for gold decreased, with the result that the parity would be restored.

It is this law, working smoothly and automatically from day to day, that keeps our 51,000,000 of silver dollars in circulation the equal of gold, that keeps the gold and silver coin of France, her $850,000,000 of gold and $430,000,000 of full legal tender silver, at a parity, that maintained the parity of the two metals when her mints were open to silver, and that would restore and maintain the parity of gold and silver on opening our mints to silver. The fact that our silver dollar is worth 47 cents more than the same weight of silver bullion, proves that the monetary demands not only can, but does confer value on a money metal.

Why the Gold Value of Silver has Fallen.

Yet we are told that silver is unfit for money because if melted down it at once loses nearly one-half of its value. But why is this? Simply because by the act of destroying the stamp on the coin we demonetize it, and by so doing we destroy the monetary demand which makes silver as coin more valuable than silver as bullion. The silver so melted down is no longer available for money, the monetary demand no longer affects its value, and as it cannot be recoined, the mints being closed, it becomes dependent thereafter for its value on the commercial demand for silver.

That gold coin does not lose its value by being melted down is simply because the act of destroying the stamp does not destroy the monetary demand, for the mints being open to the free coinage of gold, the gold coin melted down can be reconverted at any time into a gold coin. Consequently the demand for gold bullion is the same as for gold coin. If gold bullion becomes less valuable than gold coin it is taken to the mint and coined. If bullion becomes more valuable than coin, the demand for gold as bullion is supplied by melting down coin.

Give silver the same right of coinage as we now give to gold and at once the bullion value of silver will be equal to the coin value, just as at present the bullion and coin value of gold are the same.

What is an Honest Dollar?

Bearing the foregoing in mind: What is an honest dollar? The gold contractionists who see their profit in falling prices and in the increased purchasing power of the gold they own and due them from their debtors, tell us that the dollar based on gold is the only honest dollar, and that gold is the only honest measure of value. But what is the test of an honest dollar? We are told by the gold contractionists that no dollar is honest that will not stand the test of fire without losing a part of its value, and that any coin that is worth less after being melted down than it was before, when it bore the stamp of the government, is dis-

honest. The gold dollar they tell us is honest because it will successfully stand this test, because it is worth just as much after being melted down as before, and because it is worth its face value in gold. On the other hand they tell us the silver dollar is dishonest, because if subjected to the fire test and melted down it loses half its value.

Absurdity of the Fire Test.

Our mints are open to the free coinage of gold; they are closed to silver. The government undertakes to coin, free of charge and without limit, all gold bullion offered at the mints into gold coin of full debt-paying power, but to the owner of silver bullion this privilege of mintage is denied. All expenses of converting gold bullion into coin being borne by the government, gold bullion is of necessity the exact equivalent of gold coin, and as gold coin and bullion are thus made, by the fiat of law, interconvertible, to say that the gold dollar is worth its face value is no more nor less than to say that 23.22 grains of pure gold are worth 23.22 grains of gold, and has no more meaning than to say a bushel of wheat is worth a bushel of wheat. Moreover if the fire test is the test of honest money we will find in some countries that silver is the honest money while gold is the dishonest. Thus the Mexican silver dollar is worth its face value and does not lose any of its value by being melted down. Consequently according to the test of the gold contractionists silver is dishonest money in the United States and at the same time honest in Mexico.

True Test of an Honest Dollar.

The true test of an honest dollar is its purchasing power, and that dollar, and only that dollar, is honest that does exact justice between creditor and debtor. The gold-monometallists harp on the injustice of a depreciated dollar but they ignore the injuries inflicted by an appreciating dollar. They tell us a depreciating dollar defrauds the creditor, but just as a depreciating dollar de-

frauds the creditor an appreciating dollar defrauds the debtor, and it is not one whit worse to defraud the creditor by obliging him to accept a depreciated dollar from his debtor than to defraud the debtor by obliging him to pay in a dollar made artificially scarce and dear.

An appreciating dollar works injustice to the debtor just as a depreciating dollar works injustice to the creditor, but an appreciating dollar is many fold more injurious to trade and industry, for while the depreciating dollar taxes the creditor for the benefit of the debtor, the appreciating dollar takes from the debtor, from producers in general and the industrious classes, and gives to the creditor classes, the drones of society, a larger and larger share of the products of labor, which of necessity discourages industry. Under a depreciating standard the recompense of the producer becomes greater and greater, the creditor classes, receive a smaller and smaller portion of the products of labor, the profits of industry increase, and consequently production is encouraged and trade and industry stimulated. But under an appreciating standard the recompense of labor becomes smaller and smaller and the share of the products of labor absorbed by the creditor larger, which tends to discourage industry and stifle enterprise.

And since 1873 we have experienced the evils and the benumbing effects on trade and industry of an appreciating standard. Prices have fallen almost uninterruptedly, the possessor of the gold dollar has been enabled to command a greater and greater quantity of the products of the labor of others, and as gold has appreciated as shown by the fall in prices, a fall unbroken save during the years 1880–1882 following the passage of the Bland Act, the burdens of our producing classes have increased and misery and distress have of late years become general. And it is this gold dollar that has been constantly appreciating, thus increasing the burdens of the producing classes and putting a larger and larger share of the products of labor in the hands of the creditor classes, that is dubbed an "honest dollar."

Gold not an Honest Measure of Value.

The gold contractionists decry the silver dollar as a depreciated and dishonest dollar, and they speak of the depreciation of silver as having made silver unfit for use as standard money. But it is not so much to any depreciation in silver but to the great appreciation in gold that the divergence in the value of gold and silver since 1873 has been due. In silver-using countries the purchasing power of silver is as great to-day as before silver was demonetized; the purchasing power of gold is twice as great. In the United States, as shown by the table given on the next page, the purchasing power of the ounce of silver is about 15 per cent. less to-day than in 1873, while the purchasing power of gold has increased over 62 per cent. Thus we find that even in the United States, silver, discredited as it has been, has been during the past twenty-three years a much more reliable standard of value than gold. While silver has depreciated 15 per cent. gold has appreciated 62 per cent., and a dollar that has appreciated 62 per cent. in twenty-three years, or an average appreciation of nearly 3 per cent. annually, can not be regarded as an honest measure of value.

Relative Stability of Gold and Silver.

In the table on the next page, compiled for the years 1873 to 1890, from the Senate Report on Prices covering the movement of 223 commodities, and from 1891 to date, from tables prepared for THE AMERICAN and based on the market quotations of 100 staple commodities as reported in *Bradstreets*, we have recorded by aid of index numbers, (1) the fall of prices in general as measured in gold, (2) the appreciation of gold as shown by its increased purchasing power of commodities in general, (3) the fall in the gold price of silver, and (4) the purchasing power of silver.

A glance at the following table will show that the purchasing power of $61.43 in gold on April 1st, last, was as great as the purchasing power of $100 in gold in 1873, a fall in average prices of 38.57 per cent., or equivalent to an appreciation of gold of 62.78 per cent.; *i. e.*, that $100 in gold to-day will purchase as

Table of Index Numbers Showing:

	(1) The fall in gold prices.	(2) The purchasing power of gold.	(3) The fall in the gold price of silver.	(4) The purchasing power of silver.
1873,	100.	100.	100.	100.
1874,	97.87	102.18	98.04	100.17
1875,	92.95	107.59	95.53	102.78
1876,	85.91	116.41	89.01	103.61
1877,	85.57	116.86	92.50	108.10
1878,	81.88	122.12	88.75	108.39
1879,	79.18	126.30	86.52	109.27
1880,	87.62	114.13	88.21	100.67
1881,	86.64	115.42	87.68	101.20
1882,	88.94	112.44	87.52	98.40
1883,	86.89	115.09	85.52	98.42
1884,	81.48	122.74	85.75	105.24
1885,	76.23	131.18	82.01	107.58
1886,	75.32	132.76	76.63	101.74
1887,	75.14	133.08	75.36	100.29
1888,	77.21	129.51	72.34	93.69
1889,	77.21	129.51	72.04	93.30
1890,	75.66	132.17	80.60	106.53
Jan. 1, 1891,	75.57	132.32	80.41	106.40
Apr. 1, 1891,	77.06	129.78	75.79	98.35
July 1, 1891,	74.28	134.65	78.96	106.30
Oct. 1, 1891,	71.58	139.61	75.12	104.95
Jan. 1, 1892,	70.37	142.10	73.19	104.01
Apr. 1, 1892,	70.19	142.48	67.41	96.04
July 1, 1892,	70.17	142.51	67.80	96.62
Oct. 1, 1892,	71.42	141.37	64.14	89.81
Jan. 1, 1893,	74.38	134.45	63.94	85.96
Apr. 1, 1893,	75.39	132.65	64.33	85.33
July 1, 1893,	70.58	141.69	56.63	80.24
Oct. 1, 1893,	69.10	144.72	57.59	83.34
Jan. 1, 1894,	66.20	151.07	52.97	80.02
Apr. 1, 1894,	64.01	156.22	47.57	74.32
July 1, 1894,	63.78	156.78	48.73	76.40
Oct. 1, 1894,	62.58	159.79	49.69	79.40
Jan. 1, 1895,	60.26	165.94	45.94	76.24
Apr. 1, 1895,	62.42	160.21	52.00	83.31
July 1, 1895,	65.03	153.77	51.43	79.09
Oct. 1, 1895,	64.15	155.89	51.71	80.45
Jan. 1, 1896,	64.46	155.14	51.43	79.79
Apr. 1, 1896,	61.43	162.78	52.58	85.59

much of commodities in general as $162.78 in gold in 1873. A glance at the third column will show that $52.58 in gold will buy as much of silver bullion as $100 in 1873, but the fall in gold prices has been so great that the purchasing power of silver has fallen but 14.41 per cent.

A study of prices in both silver and gold-using countries since the demonetization of silver cannot fail to make clear that it is gold that has appreciated, not silver that has depreciated. In silver-using countries silver as measured by its purchasing power has not depreciated at all, and gold measured in the same way has appreciated one hundred per cent. In the United States the purchasing power of gold measured in staple agricultural products has doubled, while the purchasing power of silver is as great as ever. Some articles of manufacture in the United States have not fallen so far as silver, and this has resulted in stimulating exports of manufactured goods from China and Japan to America, the inevitable result of which must be to depress prices of such manufactured goods until prices for such goods have fallen equally with the fall in the gold price of silver. But taking all commodities together, as in the table opposite, we find that gold in the United States has appreciated over sixty-two per cent., while silver has depreciated less than fifteen per cent.

Such being the facts, which are indisputable, there is no ground for the assertion that the gold dollar is the only honest dollar, and the gold standard the only honest measure of value. On the contrary, gold, since divorced from silver, has proven anything but a stable standard, anything but a fixed, anything but an honest measure of value.

CHAPTER XXII.

The Flood of Gold.

The increased production of gold.—Roseate predictions of the gold monometallists based thereon.—Their contradictions.—Predict a rise in prices consequent on the "flood of gold," and a revival of industry.—With silver discredited a much greater increase in the production of gold would not appreciably ameliorate our condition.—The consumption of gold in the arts.—Amount of gold available for coinage.—Insignificant compared with the void created by discarding silver.—Not even sufficient to supply the needs of an increasing population.—The restoration of bimetallism the only prospect of relief.

RECALLING the oft-repeated assertions of the gold monometallists that the stock of gold in the world is quite adequate to the demands upon that metal for money, the ecstasies with which the gold papers received the roseate predictions made last November by Mr. Preston, Director of the Mint, as to the increased production of gold, and the bright results they depicted as a result of this coming "flood of gold," seemed rather ill-timed and out of place.

The gold monometallists told us that the use of credit and token money having quite taken the place of gold as a medium of exchange, the only real use for gold as money was as a measure of value, and Mr. Roswell G. Horr and others,—passing over the recognized principle of economics that the smaller the supply of any article, the demand remaining the same, the greater must be its price, and hence the smaller the number of dollars in circulation, the greater must be their value,—went so far as to say that the only use for gold being as a measure of value, it made no difference whether the quantity of gold in circulation was great or small,—that a few dollars would serve the purpose of a measure of value as well as many millions. But now they welcome the increased production of gold as a panacea for all our ills, the existence of which they have heretofore denied. Many have strenuously denied the appreciation of gold in the face of irrefutable facts, but now they look longingly forward to

the depreciation of the very gold, the appreciation of which they have denied; while others who have admitted the appreciation of gold but declared such appreciation and the resulting fall of prices to be beneficial, now point to the increased production of gold and the predicted depreciation of gold and rising prices as insuring a revival of prosperity.

"Mr. Preston is confident," the *New York Times* told us, "that gold will depreciate rather than appreciate in value as the result of the flood of gold which is sweeping over the world." As gold depreciates, prices will rise and new life be instilled into industry, and that gold will depreciate to some extent with the increased supply Mr. Preston assured us, for "the laws of supply and demand, to a certain degree, govern the value of gold."

If an increased production of gold and the annual addition to the stock of about $4,000,000,000 of gold in the world in use as money of, at the outside, not more than $150,000,000,—if an addition to the supply of less than 4 per cent. is sufficient to cause this metal to depreciate, what must have been the effect of doubling the demand by putting aside silver as a money metal? If an increase in the supply of 4 per cent. is sufficient to cause gold to depreciate, an increased demand of 100 per cent. must cause it to appreciate, as shown by falling prices.

Admissions of Gold Monometallists.

Strenuously have gold-monometallists maintained that the value of gold was fixed, and not affected by increased supply or demand, and that consequently the doubling of the demand consequent on the demonetization of silver could not have caused gold to appreciate, but at last comes Mr. Preston, telling us the price of gold is regulated by this universal law—that gold is bound to depreciate with the increased supply. If gold monometallists would keep in mind this admission on the part of Mr. Preston of the correctness of the position taken by bimetallists, they would be relieved of the necessity of looking for causes of falling prices in over-production, cheapening of production, lower transportation rates, and what not.

The cause of falling prices has been in great degree due to

the appreciation of the gold consequent on the increased demand, as silver has gradually been put aside as redemption money, and reduced to token coin based on gold. In the face of his admission, Mr. Preston and his followers can hardly deny the force or correctness of this statement.

So we have had it admitted that the value of gold is controlled, at least to some extent, by the law of supply and demand, and, although ignorant editors have long insisted that gold might be cheap and prices low at one and the same time, we are assured prices will advance as gold depreciates—that as the gold dollar becomes cheaper prices will rise.

And with this rise in prices: Are baneful results to come in its wake? Are the wage-earners to be impoverished? Is the country to retrograde? Are we to approach the condition of Mexico and Guatemala as money depreciates? Such we have been told must be the results of any depreciation in the purchasing power of the dollar. But the gold monometallists assure us such will not be the results of the depreciation of gold. "That the country is certain to become more and more prosperous as the amount of gold increases is the one fact which will appeal to the people" said the *New York Times.* And so rejoined the other gold organs. "This great increase in the gold production," we quote from the *Philadelphia Times,* "cannot fail to have a stimulating effect upon business everywhere."

Surely if gold depreciate to any appreciable extent as the result of the "flood of gold," the stimulus to industry will be great, but we cannot accept the roseate views of Mr. Preston.

The Production of Gold.

The increase in the production of gold has only been marked in the last few years.

This is shown by the following table, taken from the report of the Director of the United States Mint for 1895, and giving the annual average production of gold in the world for decennial periods from 1801 down to 1850, and for quintennial periods from 1851 down to 1885, as compiled by Dr. Adolph Soetbeer, and the annual production of gold for each year from 1886–1894, as estimated by the Mint Bureau of the United States.

Period.	Annual average production.	Period.	Annual average production.
1801-10	$11,815,000	1876-80	$114,586,000
1811-20	7,606,000	1881-85	99,116,000
1821-30	9,448,000	1886	106,163,900
1831-40	13,484,000	1887	105,774,900
1841-50	36,393,000	1888	110,196,900
1851-55	132,513,000	1889	123,489,200
1856-60	134,083,000	1890	118,848,700
1861-65	122,989,000	1891	130,650,000
1866-70	129,614,000	1892	146,815,100
1871-75	115,577,000	1893	157,287,600
		1894	180,626,100

The production of gold for the year 1895 has been roughly estimated by Mr. Preston, Director of the United States Mint, at $200,000,000. Of this fully three-fourths came from the United States, South Africa and Australia, each producing over $40,-000,000 worth of gold, and Russia producing upwards of $25,-000,000 worth.

It will be noticed from the above table that the production of gold has varied greatly from time to time. During the decade 1811–20 the production of gold was at a very low ebb, the average annual production of $7,606,000 for that decade being less than two-thirds of the average annual production during the eighteenth century. Early in the forties of this century the production of gold in the Ural Mountains of Russia increased rapidly, and this led to the demonetization of gold by Holland in 1847. Then came the discovery of gold in California and Australia, and the creditor classes of Germany, taking alarm at the increased production of gold, brought about the demonetization of gold in that country in 1857. Germany remained on a silver basis until 1871–73. Michael Chevalier, the renowned French economist, predicted a depreciation in gold as measured by silver, consequent on the discovery of the Californian and Australian gold fields, and he urged upon France the demonetization of gold to prevent the expulsion of silver, the dearer metal. But all the pressure that the money-lending classes,

backed up by Chevalier and other economists of his school, could bring to bear upon the French Government was of no avail. France held to bimetallism, and the result was, gold did not materially depreciate as measured by silver. The coinage of silver at the French mints fell off, and the coinage of gold increased, but the parity between the metals was maintained. Some silver was exported from France, but a much greater quantity of gold was imported, with the result that money, which before the discovery of the Californian gold fields had been appreciating, ceased to appreciate, and prices rose, bringing prosperity and general content. With an increasing supply of money more than equal to the increasing demands of a growing population, the whole world prospered, and the Western world rapidly advanced in material development.

Increased Production of Gold.

As the rich placer mines of California and Australia became exhausted, the production of gold decreased. Yet even while the money supply of the world was thus falling off, one Western nation after another closed its mints to the free coinage of silver, thus further curtailing the supply of money and causing money to appreciate and prices to fall to the infinite injury of all producers. As gold has thus appreciated, and prices have fallen, and mining machinery has been improved, the cost of producing gold by extracting it from the ore in which it is found has been reduced and the exploitation of new gold fields has gone on apace, notably in the Transvaal, South Africa, where the output has increased from almost nil to over $40,000,000 within ten years, and in Cripple Creek, Colorado. So we have to record a considerable increase in the production of gold during the past decade.

Insignificant compared to the void Created by Discarding Silver.

But with silver discredited and cast aside as a money metal this increase, or even a much greater increase in the production of gold, will not appreciably ameliorate our condition. While in

itself the increase in production has been large, it is insignificant compared to the void made in our money stock by discarding silver.

Moreover, those who follow Mr. Preston and tell us that with the increased supply of gold, gold will depreciate, overlook the fact that with increasing population the demand for gold as money must also increase, so that even in the face of increased production gold may even appreciate. The stock of gold money in the world is about $4,000,000,000. Of the estimated produc- of $200,000,000 of gold for 1895 at least $50,000,000 (more likely $100,000,000) was required for consumption in the arts. This is not an overestimate. Mr. Preston himself estimated the consumption of gold in the arts for 1894 at $52,185,736.

The Consumption of Gold in the Arts.

Just what amount of gold is used annually in the arts and industrially it is impossible to tell. Estimates of the consumption of gold in the arts and manufactures being in large part problematical it is only natural that estimates of different statisticians should vary widely. The painstaking investigation of Dr. Soetbeer, one of the foremost statisticians of the century, at first led him to estimate the annual consumption of gold in the arts at $60,000,000 worth, or somewhat over fifty per cent. of the average annual propuction of gold during the decade 1876–1885, but further investigations led him to believe that the total annual production of gold was not more than sufficient to satisfy the needs of industry. He, however, regarded all such estimates as little better than mere guess work, and in his latest work, published a few months before his death, he wrote: "One could not demonstrate by figures the incorrectness of the hypothesis that in recent years (he wrote in 1890) the industrial use of gold, together with the needs of Oriental countries and for private hoards, had materially arrested the increase of the monetary stock, and had very probably absorbed the annual production of the metal; but proofs are equally lacking to support the contrary hypothesis."

Thus it appears that Dr. Soetbeer regarded all estimates of the consumption of gold in the arts as lacking solid foundation and purely hypothetical. His first estimates, placing the consumption of gold in the arts at $60,000,000, an estimate concurred in by Mr. Burchard, have, however, found wide acceptance, but this sum may be regarded as a minimum estimate. Lord Playfair, now a leading member of the British Gold Defence Association, in a speech delivered in the House of Commons in April, 1890, expressed the opinion that the consumption of gold in the arts amounted to at least 75 per cent. of the annual production, which for the year 1889 was $123,000,000. He therefore estimated the consumption of gold industrially at something over $90,000,000.

Mr. Robert Giffen, a distinguished and much quoted gold monometallist, writing in the *Nineteenth Century* for November, 1889, estimated the consumption of gold in the arts at a still greater figure. He there wrote that "the amount of gold now regularly absorbed for mere non-monetary purposes appears almost equal to the entire annual supply." Or in other words $120,000,000 annually.

Amount of Gold Available for Coinage.

Therefore by the most liberal estimate there will be available for coinage out of a production of $200,000,000 annually not more than $150,000,000 of gold, so that not taking into account abrasion and loss of gold coin in use, the stock of gold money will not be increased by more than $150,000,000 per annum, or by less than 4 per cent. It follows, if population increases at a like rate, the demand for money will be equally increased, and so we might have: supply of gold increased 4 per cent., demand increased 4 per cent.—result, no change in the value of gold.

But in hastily jumping at conclusions gold-monometallists overlook an even more important fact. They propose to destroy all the silver still in use as money of ultimate redemption. As such silver is discarded, demand for gold will arise to take its place. Instead of $4,000,000,000 of gold and $4,000,000,000 of

silver to start with, they propose to rest the business of the world on but $4,000,000,000 of gold alone. Four billions of silver which we might use as money being discarded, there is double the demand for the four billions of gold made to do double duty, resulting in increasing the purchasing power of gold 100 per cent. and causing prices to drop one half. A void of $4,000,000,000 of silver, either discarded or to be discarded if the gold-monometallists have their way, must first be filled with gold before the $150,000,000 of gold that Mr. Preston assures us will be available for addition annually to the world's stock of gold can commence to meet demands made by an increasing population for money and thus maintain prices. More than a quarter of a century must the miners of Colorado and the Transvaal toil ere they can fill the void that would be caused by the final and absolute demonetization of silver, even should population remain at a standstill and the demand for gold not be thus increased.

Not Sufficient to Supply the Needs of a Growing Population.

The addition of $150,000,000 annually to the world's supply of gold, which will be absorbed as fast as added by the increasing demands of a growing population, will not suffice to give us renewed prosperity.

The steady fall in prices shows the increased production of gold is not sufficient to meet the growing demands of an increasing population for gold for use as money as well as for consumption in the arts. By discarding silver we have lowered the level of our monetary reservoir by one-half and we have dammed off half of the supply. And though the other source of supply, gold, has increased, it has proven insufficient to meet the drain on our already depleted reservoir, with the result that the level of our monetary reservoir is falling lower and lower from day to day, money is appreciating and prices falling. There is no prospect of relief save by turning back into our monetary reservoir the stream of silver unwisely diverted.

The question is, How is this to be done? Shall we act independently and open our mints to the unlimited coinage of silver, or shall we humbly wait for the co-operation of Great Britain?

CHAPTER XXIII.

The Restoration of Bimetallism.

The monetary policy of Great Britain.—Directed in the interests of the creditor classes.—We cannot afford to wait for the conversion of these classes to bimetallism.—Imaginary dangers of free coinage.—What free coinage means.—Cause of the fall in the gold price of silver.—Not due to increased production but to discrimination against silver as a money metal.—Prices of commodities in general.—Of gold and silver.—Natural stability of the precious metals.—Why the coinage ratio of gold and silver fixes the commercial ratio.—Past experience.—Legislation not only can but does confer value.—Effect of closing the Indian mints on the price of silver.—Bimetallism does not mean Silver-monometallism.—Free coinage could not lead to a contraction of our currency and lower prices.—Would not result in a flood of silver.—But would restore the parity between gold and silver.

It is generally recognized by the coterie of bankers of Lombard Street that the increased value of the gold standard depresses prices and alters the meaning of all contracts. The gold-monometallists of England do not, like many of our gold-monometallists, support monometallism on the ground that gold forms a stable measure of value. They do not deny that gold has appreciated, that the fall in prices has been due to this cause, and that all debts have been arbitrarily increased, but they advocate the maintenance of the gold standard from the purely selfish grounds: First, that England is a great creditor nation, and therefore, interested in everything which increases the value of the gold due her creditor classes, and second, that England buys abroad her cotton and the greater part of her food while she sells manufactured articles, and, therefore, England profits from anything that depresses the prices paid for cotton and wheat further than the prices received for her manufactured articles. The English farmer is ruined,—no matter: the wage-earner is ground down, the manufacturer finds his customers impoverished and his market gone; but all this makes no difference to the English gold-monometallists. In the eyes of Sir Wm. Harcourt and other gold-monometallists, the interests of the creditor classes must be looked after even at the sacrifice of all other classes.

What We May Expect from England.

No wonder Professor Foxwell, of Cambridge, referring to the appreciation of gold resulting in the robbery of the industrial classes, in the name of sanctity of contract, by the subtile falsification of the standard of value, writes with mortification: "I might reply with Mr. Beeton that such falsification of contracts is base and immoral. It would be unworthy of a great country to make fraud the aim of its monetary policy. Even Shylock only pressed for his pound of flesh."

Mr. Beeton assures us there never was a time when wrongs were more readily recognized and redressed, and he speaks of the growing sensitiveness of the public conscience as giving ground for the belief that once the rulers of England are aroused to the enormity of the injustice perpetrated by the gold standard, they will no longer stand in the way, but aid the establishment of international bimetallism. But Mr. Beeton's faith is not reassuring to the American who has not a very high opinion of John Bull's conscientious scruples. Rather Americans take the view of Mr. Grenfell and of Professor Foxwell, who appeal not so much to the conscience as the pocket of the creditor classes of Great Britain. Interest, not generosity, will alone make converts to bimetallism among the money-lending classes of Great Britain.

When England recognizes that her greatest interests, her material prosperity, rest on the solvency of her debtors and the prosperity of her customers, "both of them sapped and endangered by the invidious progress of the appreciation of gold," (Professor Foxwell), then, and not until then, will the English creditor classes advocate bimetallism. As Professor Foxwell says, "As generally happens the immoral is also the inexpedient," and as the English manufacturer and creditor finds this out he becomes a convert to bimetallism. This is the explanation of the growth of bimetallic sentiment in England.

We cannot afford to wait on England.

But the knowledge that the conversion to bimetallism of the creditor classes of Great Britain follows the insolvency of their

debtors is poor comfort to the producers and debtors in America and elsewhere, at the expense of whose ruin converts in England are made. Our producers are ruined, driven to irretrievable insolvency before the English creditor feels any loss. If we wait for relief from England it will come only after our spirit of independence has been broken, our producing classes have submitted in despair to the extortions of the monopolists of money, and submitted to the yoke of virtual slavery.

If we would preserve our independence we should learn to act independently, to rely upon our own resources, and not to wait upon England to ask permission to restore our prosperity. We have paid tribute to England by doubling the quantity of wheat and trebling the quantity of cotton exported to pay for imports and meet interest charges on our foreign debt quite long enough.

If we would free ourselves from bondage to foreign money lenders, from financial and industrial subserviency to Great Britain, we must act independently. We must open our mints to the free coinage of silver, and make our silver coin a full legal tender without asking, let alone waiting for, the consent or co-operation of any foreign power.

Imaginary Dangers of Free Coinage.

And from such a course we have nothing to fear. We are told by the gold-monometallists that such a course would drive gold out of the country, lead to a violent contraction of our currency and bring on a disastrous panic. We are told that we cannot restore and maintain the parity between gold and silver, and we are told that free coinage means silver-monometallism,—that it would derange our foreign exchanges, double the burden of our foreign debt, make trade with gold-standard countries well-nigh impossible, and degrade our people to the level of the Mexican peon or the Indian ryot.

Such are the free-coinage bugaboos, with which the gold contractionists threaten us. But, we repeat, from the free coinage of silver we have nothing to fear, we have everything to gain. The

difficulties in the way of restoring bimetallism anticipated by the gold contractionists are purely imaginary, and their assertions that free coinage would give us silver monometallism, cause a disastrous contraction and bring on panic, and that the whole campaign for the restoration of bimetallism is in the interest of silver miners are baseless assumptions.

Free Coinage and the Silver Miner.

We have heard a great deal about a fifty-cent dollar, and how the laborer and all producers would be robbed if forced to accept payment for their services or products in a depreciated dollar,—a dishonest, a fraudulent dollar, a dollar worth but fifty cents. Yet with brazen effrontery the gold monometallists turn round and tell us the millionaire monopolist silver miner could, under free coinage, take fifty cents' worth of silver to the mint, have it coined into dollars worth a hundred cents, and thus reap an enormous profit of 100 per cent. With one breath they tell us that the silver dollars coined under unlimited coinage would be worth but 50 cents to the workman and producer, and in the next that the same dollars would be worth 100 cents to the mine owner.

Those demanding the free coinage of silver ask that the silver miner, or anyone else possessing silver, shall have the right to take it to the mints for coinage and be given in return for the silver bullion deposited an equal weight of silver coin,—receiving a silver dollar weighing 412½ grains for every 412½ grains of silver bullion of standard fineness. Just as the owners of gold bullion have the right to take gold bullion to the mint, and receive a gold dollar (correctly the multiple of the gold dollar, for no one-dollar gold piece is coined) for every 25.8 grains of standard gold, so it is demanded that the owners of silver shall have an equal right to receive a silver dollar for every 412½ grains of standard silver, or 371¼ grains of pure silver deposited at the mints, a right never denied before 1873, and seemingly guaranteed by the constitution itself, it being written in Section 10, Article 1, that "No state shall * * * make anything but gold *and* silver coin a tender in payments of debts,"

thus implying that the United States, to whom is reserved the right to coin money, shall supply the States with such coin.

371¼ grains of silver bullion are now only worth 53 cents of a gold dollar, and the assumption of the gold monometallists that the silver mine owner would make a profit out of the government of 47 cents on every dollar coined, seems very plausible. But as we have said, the silver mine owner would receive a silver dollar for his bullion containing just as much silver as he deposited, and if, as the gold monometallists tell us, this silver dollar would be after coinage only worth 53 cents of a gold dollar, only worth half as much to the laborer, the farmer, the manufacturer, as the gold dollar, the silver miner would certainly reap no enormous profit at the expense of the government, for the silver dollar could not possibly be worth more to the miner than to the farmer, laborer or manufacturer.

The Effect of Remonetizing Silver.

But what would really happen under free coinage? The silver dollars would be as serviceable in paying taxes, rent, interest and debts of all kinds as gold dollars. Now if these silver dollars could be bought for 53 cents in gold (which of course they could not, as we shall show) anyone possessed of gold and having payments to make, certainly would not proffer his gold in payment, but seek to exchange it for silver, for with $53 in gold he could only directly pay $53 of debt, but by selling these for silver he could pay $100 of debt. And the result; everyone would try to sell his gold for silver, but no one having payments to make would want to buy gold so long as more was asked for the gold dollar than the silver dollar. Nobody wanting gold dollars as money if worth more than silver, and everybody wanting silver dollars if worth less than gold, the gold dollars would naturally fall and the silver rise until the parity between the dollars was restored, until each dollar was worth a hundred cents in the other, when the demand for the two dollars would be equalized and thus the parity maintained.

As the gold dollars thus fell in value, the wheat of the far-

mer, the cotton of the planter, and the fabrics of the manufacturer would rise inversely, so also the product of the silver miners. The silver miner would not be benefited in any greater degree than the farmer, the planter, the manufacturer, or the wage-earner.

But the gold monometallists say it is impossible to legislate value into anything; that the value of anything is what it will fetch in the open market; that the price is fixed by the law of supply and demand, and that this law has fixed the price of silver at less than half of what it was formerly worth.

The Fall in the Gold Price of Silver.

We are told that silver ore has become so abundant during the last twenty-five years, and that the methods of taking it from the ground and of extracting the silver from the ore have so improved, that it takes only half as much labor to produce 371¼ grains of silver (the pure silver in a dollar) as it takes to produce 23.22 grains of gold (the pure gold in a dollar), and that therefore silver is worth but half as much to-day as it was in 1870. This is the supposition advanced by the gold-monometallists to account for the great divergence in the value of gold and silver since 1873; but it lacks substantiation. The truth is that the great fall in the gold value of silver during the past twenty-three years has not been due to any cheapening in the cost of producing silver, as compared to gold, but to the systematic discrimination against silver as a money-metal by the Western nations, resulting in a decreased demand for silver and an increased demand for gold.

Prices and the Law of Supply and Demand.

The price of any and every commodity is fixed by the ratio between the effective demand and the supply. If, for any reason, the supply of any commodity falls off while the demand remains the same or increases, the price of such commodity will rise, just as the demand outruns the supply; for, whenever the quantity of any commodity for sale is not sufficient to meet the demands of all those desirous of and having the means to purchase it,

prospective purchasers will bid against each other to obtain it, thus forcing the price up to that point where many, who will not or cannot afford to pay the enhanced price, no longer bid to obtain it—when the supply will catch up to the effective demand and a new ratio be established between supply and demand at a higher price. And if, on the other hand, the supply of any article is increased, while the demand remains the same or falls off, the price of such commodity will fall; for, when the supply of any commodity more than equals the demands of purchasers, sellers will underbid each other in their efforts to obtain a market, thus forcing the price down until the lower price attracts more buyers, thus increasing the demand, when a new equilibrium between supply and demand will be found at a lower price.

Thus the immediate effect of a decreased supply of any commodity, while the demand remains the same or increases, is to cause an advance in price. When there are two purchasers to one buyer, and both desirous of the same commodity, the price will rise. When there are two sellers to one buyer and both desirous of disposing of the same commodity the price will fall. This is the law of supply and demand, and it fixes the relative value of gold and silver just as it does of all commodities.

Prices and the Cost of Production.

But a falling off in supply, or an increase in demand relatively to the supply, does not of necessity mean a permanent advance in price. Neither does a falling off in the demand of any commodity with the result, momentarily, that the supply outruns the demand, thus depressing the price, mean of necessity a permanently lower price level. Commodities are of three classes: 1. Those the production of which can be increased indefinitely without adding to the cost of production. 2. Those the production of which can only be increased at an enhanced cost. 3. Those the production of which is dependent upon chance. To the first class belong manufactured goods and agricultural products in general; to the last two, and more especially the third, the precious metals.

Many of the less profitable silver mines are now closed down, but could be reopened and worked at a profit if silver brought a better price, and thus to a limited degree the production of silver could be increased, but only at an increased cost. After such mines have been reopened the increased production of silver would be dependent, as is an increased production of gold, on the chance of finding new and workable deposits.

Now, it is clear where production can be increased *ad infinitum* without adding to the cost of production, that just as soon as the demand for any such commodity outruns the supply, leading to an enhanced price, production will be stimulated, and the output will be increased until the price falls back to that point where the profits are not so great as to induce other men engaged in other lines of industry to change their occupation. And so when the demand for any commodity falls off, or for any reason does not keep pace with an increasing supply, thus leading to a fall in price and curtailment of the profit of production, the production of such commodity will, in ordinary times, when other lines of profitable production are open to employer and wage-earner, be curtailed, for no producer will work continuously at a loss if he can turn his hand with profit to something else.

Thus the farmer would not produce wheat at a loss if he could produce corn at a profit, and if the crop of wheat in one year was so great as to depress the price and leave no margin of profit on production, while the profit on corn was large, he would the next year raise less wheat and more corn, with the result that wheat would rise and corn fall, so that in the end each crop would yield the same margin of profit. This same equalizing of profits, or as at present equalizing of losses, is carried on in all branches of production, manufacturing as well as agricultural, so that prices of all those commodities the production of which can be increased indefinitely, circulate around the cost of re-production.

Natural Stability of Gold and Silver.

But from commodities in general the precious metals differ not only in that production is to a great degree dependent on

chance, but in that the stock of gold and silver in the world represents the accumulations of a great number of years. Fifty per cent. of the gold and forty per cent. of the silver that has been produced during the past four hundred years, or since the discovery of America, is at this time in use as money. The stock of gold and silver in the world representing the production of a long series of years, it is evident, the price of silver and gold is not so sensitive to increased or decreased annual production as other commodities. The doubling of the production of wheat in any one year would practically be equivalent to doubling the supply, but the doubling of the production of gold and silver would represent not more than an increase of five per cent. in the total supply. And what holds good with increased production, of course holds good with decreased. A decrease in the production of wheat by one-half in any year would cut the supply in half and lead to a famine price, but a halving of the production of the precious metals in any one year would represent no more than a decrease in supply of two and a half per cent., and would have hardly an appreciable effect on the value of gold and silver. It is for this very reason that the precious metals are, of all commodities, peculiarly fitted for money, for they possess a stability in price from year to year, when one is not discriminated against to the enhancement of the other by legislative action, such as is not possessed by any other two commodities.

The Coinage Ratio fixes the Commercial Ratio.

Moreover, so long as the mints were open to gold and silver at a fixed ratio, both gold and silver were, so far as the monetary demand went, one and the same commodity. Consequently, the relative value between gold and silver did not materially change. If men had no preference for wheat over rye bread, but used either indiscriminately and with the same relish, it is clear that the relative price of wheat and rye flour would not change materially from year to year, even though the wheat crop might be short one year and the rye crop bountiful, and the next the rye crop fail while the wheat crop was large. If rye bread were

equally as acceptable as wheat, and *vice versa*, without any preference by all men, it is evident the demand for bread would fall equally on both rye and wheat, which so far as the demand went would be in effect one and the same commodity. The result would be that if the rye crop were short, so that it tended to rise, the demand would be transferred to wheat; so that wheat would rise equally with rye. So also, there might be a very short crop of wheat and an equally large crop of rye, without resulting in any change in price whatever, the rye supplying the place of the wheat.

And, as it would be with wheat and rye in this suppositional case, so it was exactly with silver and gold until the Western nations discriminated against silver and in favor of gold. While the mints of France and America were open to free coinage of both silver and gold, silver was just as available for money as gold. Consequently, whenever gold became relatively scarce, the demand for silver increased and the demand for gold decreased, so that there was no change in the relative value of the two metals, and when, with the discovery of gold in California and Australia, gold became plentiful and tended to cheapen, the demand for money was transferred automatically from silver to gold, with the result that silver fell in price while gold was steadied, so that both metals fell together and equally. It was as if, in the above suppositional case, the harvest of rye was doubled while the harvest of wheat remained unchanged; the demand for rye, the most abundant, would have increased and the demand for wheat fallen off; so that wheat would have fallen in price equally with rye, but no change in the relative values of the two grains would have occurred.

The Production of Gold and Silver.

So gold and silver fell together after the discovery of gold in California. They were two separate commodities as far as supply went, but as far as demand went they were one and the same. So long as the Western nations held gold and silver to be, as far as the monetary demand went, one and the same

Production of Gold and Silver in the World since the Discovery of America.

PERIOD.	GOLD.		SILVER.		RELATIVE PRODUCTION OF GOLD AND SILVER.	RELATIVE VALUE OF GOLD & SILVER. Commercial Ratio.	
	Total production for period. (Coining value at U. S. Mint Ratio.)	Annual average production. (Coining value at U. S. Mint Ratio.)	Total production for period. (Coining value at U. S. Mint Ratio.)	Annual average production. (Coining value at U. S. Mint Ratio.)		Highest.	Lowest.
1493–1600	$ 501,640,000	$ 4,679,000	$ 949,173,000	$ 8,871,000	$1.89 of Silver to $1.00 of Gold		
1601–1700	606,315,000	6,063,000	1,547,731,000	15,477,000	2.55 “ “ “ 1.00 “		
1701–1800	1,262,805,000	12,628,000	2,370,809,000	23,708,000	1.88 “ “ “ 1.00 “	15.74	14.39
1801–1820	194,215,000	9,711,000	596,463,000	29,823,000	3.07 “ “ “ 1.00 “	16.25	15.04
1821-1840	229,320,000	11,466,000	439,374,000	21,968,000	1.92 “ “ “ 1.00 “	15.95	15.62
1841–1850	363,928,000	36,393,000	324,400,000	32,440,000	1.12 “ Gold “ 1.00 of Silver	15.93	15.70
1851–1870	2,595,996,000	129,799,000	879,435,000	43,972,000	2 95 “ “ “ 1.00 “	15.60	15.19
1871–1890	2,210,869,600	110,543,000	2,217,424,900	110,871,000	1.00 “ Silver “ 1.00 of Gold	22.10	15 57
1891	130,650,000	130,650,000	177,352,300	177,352,300	1.33 “ “ “ 1.00 “	20.92	
1892	146,815,100	146,815,100	198,014,400	198,014,400	1 35 “ “ “ 1.00 “	23.72	
1893	157,287,600	157,287,600	214,745,300	214,745,300	1.36 “ “ “ 1.00 “	26.49	
1894	180,626,100	180,626,100	216,892,200	216,892,200	1.20 “ “ “ 1.00 “	32.56	
	$8,580,467,400		$10,131,814,100		$1.29 of Silver to $1.00 of Gold		

commodity, the relative value did not vary, and this in the face of the most extraordinary fluctuations in the relative production of gold and silver. The compact table on the opposite page, compiled from the report of the Director of the United States Mint for 1895, will make this clear.

It will be seen from this table that during the twenty years 1801–20, $3.07 of silver was produced to $1 of gold, and during the twenty years, 1821–40, $1.92, nearly twice as much silver as gold. It will further be seen that during the next decade the production of gold and silver was more nearly equal, and that then the production of gold suddenly jumped with the output of the Californian and Australian gold fields, so that during the period 1851–70, $2.95 in gold was produced to $1 of silver. Thus the relative production of gold and silver was reversed from $3 of silver to $1 of gold at the beginning of the century to $3 of gold to $1 of silver after the discovery of gold in California.

Yet the ratio of 15½ of silver to 1 of gold as established at the French mints was not disturbed. The highest ratio that silver bore to gold in the London markets during the seventy years that the French mints were open to silver at the ratio of 15½ to 1 was 16.25 to 1 in 1813, the lowest 15.04 to 1 in 1814. But no such fluctuations occurred at the French mints, and could not in ordinary times have possibly occurred in the London market. But the Napoleonic wars had in effect divided Europe into two industrial and economic worlds, commerce and exchange between which was at a standstill.

During the sixteenth and the first half of the seventeenth centuries, gold and silver were coined in the different states of Europe at various ratios. Moreover coinage was entirely on government account, and gold and silver coin was struck so as to yield a profit to the royal treasuries. It was not until 1666 that the mints of England were first opened to free coinage. Before that time all coin was coined on account of the sovereign and generally with a view to his profit. Consequently, no fixed commercial ratio ruled between gold and silver until the last part of the seventeenth century. From 1700 down to 1803 the

ratio was changed, from time to time, at the French, as well as other mints. In 1803 the ratio of 15½ to 1 was fixed upon by France, and the mints opened to the unlimited coinage of both metals, 15½ pounds of silver being coined into the same number of francs as one pound of gold. Down to 1873, when coinage of silver at the French mints was restricted, the commercial ratio at Paris never materially differed from the mint ratio, though, as we have said, there were extraordinary fluctuations in the relative production of gold and silver.

Never, at Paris, during this period did gold or silver fall below the mint price more than to a degree equivalent to the loss of interest during the time elapsing between the deposit of the bullion and the return of the coin, usually about twenty days. Those desirous of realizing on gold or silver bullion at once, sold it to bullion brokers for a price below the mint price equivalent to interest between the time of deposit and return of the coin. But material fluctuations there were none. The variations in the London market ratio represented nothing more than the cost of transporting silver and gold from London to the French mints plus the interest covering the delay incident on converting bullion into coin. Save during the Napoleonic wars this cost amounted to little, and the relative commercial value of gold and silver in London was practically fixed by the French mint ratio.

Thus so long as gold and silver were treated as one commodity, parity was maintained. When silver was discriminated against, when the demand for silver was curtailed and the demand for gold increased, gold appreciated and silver fell, and the result has been a marked divergence in the value of gold and silver.

It is not because the supply of silver has been increased, owing to improved methods of extracting the bullion from the ore, that the gold price of silver has fallen, but because the demand for gold has been increased and the demand for silver restricted by the closing of the mints of Germany, the Latin Union and the United States to silver.

Legislation and Value.

Open the mints of the world to the coinage of gold and silver at the old ratio, and the demand for silver will increase rapidly; it will take the place of gold as money, and the latter metal will fall as silver rises until a parity is restored between them. If gold and silver were made legal tender interchangeably, the parity between them would be restored, whether the ratio was fixed at 17 or 16 or 15 to 1. The reason for this is plain. The demand for the cheaper would *in*crease and the demand for the dearer *de*crease, and of necessity the price of one would rise and the other fall until they were both of equal price at the fixed ratio. If the supply of one should then temporarily fail, the demand for the other would be *in*creased, while the demand for the scarcer would be *de*creased until the parity was restored.

The most important use of both gold and silver is for coinage purposes, and as the laws of coinage make and unmake this demand, legislation not only can but does confer value on gold and silver by creating a demand for coinage. And as nations can *in*crease or *de*crease this demand, they can control the relative values of gold and silver. Consequently by opening our mints to silver, and making it legal tender in all payments equally with gold, we can restore and maintain the parity between gold and silver.

By merely enacting that both silver and gold are legal tender at the ratio of 16 to 1, in other words, that all contracts can be discharged in either metal, and that sixteen pounds of silver shall pay the same amount of debt as one pound of gold, and *vice versa*, the demand for gold for money (coinage) would cease as long as one pound of gold as bullion would buy more than sixteen pounds of silver would buy, and the demand for silver for coinage would be enormous until it was worth as much as bullion as when coined.

It is to the interest of the debtor to pay his debts in that coin which costs him the least labor to obtain, and if he is given the option to pay either in gold or silver, he will use that metal which is cheapest, with the result that any disparity at any time in the value of the coins will be at once accompanied by greatly

increasing the demand for the cheaper and curtailing the demand for the dearer, with the result that the dearer will tend to fall and the cheaper to rise until the parity is restored.

Effect of Closing the Indian Mints on the Price of Silver.

To deny that legislation leading to the extended use or disuse of silver as money, and hence an increased or decreased demand for silver, has any effect on the value of that metal, shows not only a lack of perception of the fundamental principles of political economy, but a woeful ignorance and oversight of historical proof. One case in point is the closing of the Indian mints in 1893 and the resultant fall in silver, consequent upon the anticipated decreased demand for silver that was seen to be inevitable upon the prohibition of any additional coinage of silver in response to the demands of 250,000,000 people.

As late as the middle of June, 1893, the closing of the Indian mints was not even hinted at in speculative circles. On the 19th, silver sold at 38¾ pence in London, a price equal to the highest of the year. Then came ill-defined rumors of the proposed closing of the mints, and, as speculators acted on the advance information that came into their possession, silver commenced to fall. On the 26th, the order closing the Indian mints was promulgated and silver fell still further, until on June 30th, it sold at 30½ pence. In eleven days silver fell 21⅓ per cent.

Legislation then does affect the value of silver as compared to gold, and by opening our mints to silver we can so increase the demand for silver and decrease the demand for gold as to cause silver to advance and gold to fall until the parity is restored.

That we can do so is evidenced by the experience of France on the bimetallic basis from 1803 down to 1873, between which years the French mints were open to the unlimited coinage of gold and silver at the ratio of 15½ of silver to 1 of gold, that is, one pound of gold was coined into as many francs as fifteen and a half pounds of silver. During the whole of this period, as we have seen, the relative value of gold and silver all the world over varied only fractionally—15½ ounces of silver were everywhere worth

1 ounce of gold. The slight variations did not exceed the slight cost of transporting silver and gold from different parts of the world to the French Mint and the loss of interest during coinage.

Bimetallism Does Not Mean Silver Monometallism.

Yet it is asserted that the opening of our mints to silver would be followed by the expulsion of gold from monetary use, silver-monometallism and a fifty-cent dollar.

This involves the assumption that, on the opening of our mints to free coinage, our markets would be flooded with silver, for the laws of trade forbid that gold should be driven out faster than silver was coined to take its place.

The gold-monometallists speak of the old bugaboo of a fifty-cent dollar.

They assert that the first effect of opening our mints to silver would be to drive our gold out of circulation and force its exportation. On this all gold-monometallists agree, and they cite the much-abused "Gresham Law" in support of their contention. The Treasury statements give the circulation in the country roundly at $1,500,000,000, divided roughly into one-third gold, one-third silver, and one-third unsecured paper, viz.: paper not based on specific deposits of gold or silver. The estimate of gold is much too large, and so are the government estimates of greenbacks making up in part the circulation of unsecured paper. But into these points it is unnecessary to enter at this time.*

* June 1st, 1896, the Treasury statements gave the total amount of money outstanding, in the Treasury and in circulation as follows:

	GENERAL STOCK, COINED OR ISSUED.	IN TREASURY.	AMOUNT IN CIRCULATION JUNE 1, 1896.
Gold Coin	$574,520,722 00	$118,644,283 00	$455,876,439 00
Standard Silver Dollars . .	429,289,916 00	376,572,499 00	52,717,417 00
Subsidiary Silver . . .	76,994,051 00	15,637,424 00	61,356,627 00
Gold Certificates . . .	43,649,189 00	687,280 00	42,961,909 00
Silver Certificates . . .	346,942,504 00	10,629,424 00	336,313,080 00
Treas'y Notes, Act, July 14, 1890	131,385,280 00	33,304,774 00	98,080,506 00
United States Notes . .	346,681,016 00	121,118,261 00	225,562,755 00
Cur'y Cert'f', Act, June 8, 1872	33,670,000 00	240,000 00	33,430,000 00
National Bank Notes . .	225,287,935 00	10,002,385 00	215,285,550 00
TOTALS . . .	2,208,420,613 00	686,836,330 00	1,521,584,283 00

It is here stated that $455,876,439 of gold were in circulation and $225,562,755 of U. S. notes or greenbacks. But no such sum of gold coin can be accounted for, and as no

The gold-monometallists believe, or affect to believe, that the result, the immediate result, of opening our mints to silver, would be to drive the gold out of the country and give us a fifty-cent dollar. At once, they tell us, as a result of opening our mints to silver, we would lose the hundred or so millions of gold in the treasury, in exchange for greenbacks, etc., and this, together with the four or five hundred millions in the banks, and estimated to be in the hands of the people, would be lost to circulation. At one stroke our currency would be contracted one-third, the basis for credits restricted, and credits curtailed proportionately. Consequenty there would be a direful contraction and calamitous fall in prices.

But the gold contractionists do not explain how the expulsion of our gold, leading to a contraction of our currency, making money scarcer and harder to get, would give us a cheaper—a fifty-cent dollar. The value of a dollar, whether of gold or silver, is fixed, just as the value of the bushel of wheat or pound of cotton. We never yet heard of a short crop of wheat or cotton

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losses of greenbacks by fire or otherwise are allowed for during the thirty years they have been in constant circulation, save $1,000,000 estimated to have been destroyed in the Chicago fire, and as the same holds good of Treasury notes and bank notes, as well as silver, it is manifest that the money in circulation is over-estimated in the Treasury statements, probably by $250,000,000 of gold and $50,000,000 of greenbacks and other currency; so that the total volume of money in circulation probably does not exceed $1,200,000,000.

That the quantity of gold in circulation was greatly overestimated was admitted in the report of the Director of the Mint for 1888, on the production of gold and silver, where it was stated that the most industrious inquiry failed to bring to light a very considerable portion of the gold estimated to be in the country, and that at least $275,000,000 of the estimated stock of gold coin could not be accounted for. Estimates of the stock of gold in this country are made up on the following basis: On June 30, 1872, the stock of gold in the national banks and in the U. S. Treasury was determined; to which was added $20,000,000, estimated at that date as the amount of gold in circulation on the Pacific coast. A total of $135,000,000 was thus arrived at as the probable amount of gold in circulation at that date. Since that time the official estimates have been compiled by adding to this initial stock the coinage of the mints (not including recoinage), and the gain (or loss) by import or export as registered at the custom houses, and deducting therefrom an annual average allowance of $3,500,000 for gold coin used in the arts.

Much gold is carried out of the country annually in the pockets of travelers, which is not recorded in the custom house returns, and there is no doubt that much more gold coin is used in the arts than estimated. Such being the case, it is apparent the discrepancy between the actual amount and the estimated stock of gold coin in the country has grown and must continue to grow from year to year as long as the present system in making up the estimates is persisted in.

referred to as sure to lead to lower prices, yet this is just what the gold men ask us to believe in regard to money, stating that the expulsion of gold, reducing the supply of money, would give us a cheaper dollar. A cheaper dollar can only result from an increased supply, inflation, if you please, or a decreased demand, and the expulsion of gold is just the opposite to inflation; it is contraction. Consequently, the expulsion of our gold before silver was coined to take its place would give us a dearer, not a cheaper dollar, a one-hundred-and-fifty-cent, not a fifty-cent dollar.

Nothing to fear from Free Coinage.

But it should be evident to the gold men that such expulsion of gold as the so-called "commercial world" affects to fear is an impossibility. Expulsion of gold at any greater rate than silver was coined to take its place would cause contraction of our money, dearer money and lower prices, with the result that imports would be checked and exports stimulated, thus turning the balance of trade greatly in our favor and leading to the import of gold.

But the free coinage of silver could not possibly result in a further fall in price of the articles that we export in the payment of our debts. Grant for the moment that foreigners would unload their securities on our markets and take gold in payment. The result would be that the money markets in the financial centres would tighten, importers would be unable to secure customary bank accommodation, prices of imported articles would fall, and importers would be obliged to restrict their purchases abroad, and imports would fall off.

But how would the price of the products we export in payment of our debts be affected? In the first place, just as gold was exported from America, leading to a contraction of our currency, it would lead to a proportionate increase in the volume of money in Europe, and consequently prices in Europe would tend to rise. In the second place, as gold was exported and went to swell the currencies of European gold-standard countries, gold would fall, while silver, in response to the prospective demand from

America on the reopening of our mints to silver, would advance. Silver would rise immediately on the election of a President and Congress pledged to free coinage, and before our mints were opened to silver, for speculators would anticipate the effect of the prospective increased demand sure to result from the opening of our mints, and they would buy up and hold silver in anticipation of the rise. As silver rose relatively to gold, the cost to gold-using countries, buying wheat and cotton and other products in silver-using countries, would be increased; for while silver-using peoples asked no more silver for their products, it would take more gold to get the same quantity of silver. Consequently, the competition between our producers and the producers of silver countries for the European markets would be relieved, and the demand for our wheat and cotton and other produce would be thereby increased.

Thus the balance of trade would turn greatly in our favor, and gold, at first exported in payment for securities sold on our markets for the account of panic-stricken foreign investors, would flow back again in payment for our enlarged exports of wheat and cotton and other produce.

Impossibility of a Flood of Silver.

Thus the gold papers that threaten us with the expulsion of our gold and speak of silver-monometallism as the inevitable result of free coinage, are forced back on the assumption that our markets would be flooded with silver. But this supposition is unfounded. There is no basis for the belief that our markets would be flooded with silver. On the contrary, a little research will show the utter impossibility of such a result and the absurdity of the supposition.

The gold standard nations to which we are told our gold would flow do not produce silver. They have been, and of necessity must be, importers, not exporters of silver. What silver Great Britain exports to the East she is obliged first to purchase and import from the New World. She has no silver of her own that she can afford to export. Her exports of silver to India repre

sent but re-exports of silver bought from us. And other gold nations of Europe are in the same position.

The silver they have is in use as money or has been used in the arts, manufactured into utensils and ornaments, and with silver so used they cannot part save at a loss. Silver coined at a ratio of 15½ to 1 or less, circulating at a parity with gold and just as valuable, just as acceptable as money as gold coin, would not be melted down and sent to our mints to be coined into dollars at the ratio of 16 to 1, for to get the same value of coins at our mint it would require the foreigner melting down his coin to add one-half an ounce of silver bullion to every 15½ ounces of silver obtained by melting down silver coined at this ratio, as is the full legal-tender coin of France, Italy, Spain, Belgium, Switzerland and Russia. And if coined at a ratio more favorable to silver, as is the silver coin of Great Britain, coined at a ratio of 14.28 to 1, of Germany at 13.957 to 1, of Austria at 13.69 to 1, and the subsidiary coin of the Latin Union and Spain at the ratio of 14.38 to 1, the foreigner melting down coin for export would be out of pocket in an even greater degree. Therefore silver coin would not be "dumped" on our mints, for to do so would entail a loss on those "dumping it."

And it is even more absurd to speak of the silver in use as ornaments, as plate, etc., as likely to be dumped on our markets. Household silver and ornaments, on which much labor has been expended in manufacturing, would not be melted down, for by so doing the value conferred by workmanship would be lost to the owner. Let the reader ask himself if it is likely that silver forks and spoons would be melted down should the price of silver bullion be doubled. And as to the hoards in India so vaguely spoken of, it is as unreasonable to suppose that this silver would be sent to our mints for coinage as to suppose that the melting pot would be the fate of the services of our churches, should silver double in price.

Why the Parity Would be Restored.

The only silver that gold nations could possibly send us is the small amount of silver they possess as bullion. And this

bullion sent to our mints, the product of our mines being coined and exports of silver to England stopped, what must be the result? Evidently England must cease to buy in India either wheat or cotton in excess of what she can pay for with manufactured goods or interest on Indian loans owned in England, unless she bought from us silver, which we would be unwilling to sell at less than our mint price. And this price she ultimately would pay, for she would be obliged to come to us for the wheat and cotton before bought in India or elsewhere with silver which she obtained from us; and, as a result, prices of wheat and cotton would rise in America, in response to the increased demand, and continue to rise until prices had so risen that the Englishman saw his advantage in buying our silver at $1.29 an ounce (instead of 69 cents, as at present), and sending it to India to buy cotton and wheat, rather than pay the enhanced prices for wheat and cotton asked in America. Thus silver would be restored to a parity with gold, and we would have higher prices and a hundred-cent silver dollar, as well as a hundred-cent gold dollar, and not a two hundred-cent gold dollar, as at present.

As prices of grain and cotton and other produce rose with silver, it would take less wheat and cotton and other produce to pay the interest charges on our foreign debt—payments which we now find it impossible to make with merchandise, could be readily met, and the drain of gold to meet these charges would cease. Opening our mints to silver would not permanently drive out our gold. On the contrary, only by so doing can we check the drain on our gold for export, and prevent national as well as private bankruptcy, and the suspension of gold payments.

The Mexican Bugaboo.

But, say the gold-monometallists, look what free silver has done for Mexico. Ignoring the monetary history of the past they point to Mexico. Mexico, they tell us, has free coinage of silver, and the result has been to put that country on a silver basis. And this they ask us to take as evidence that the opening of our mints to silver would drive out our gold and give us

silver monometallism. Because Mexico, a nation comparatively weak commercially, has failed by opening her mints to silver to maintain bimetallism, any attempt on our part to do so must also result in failure! To thus compare the commercial power of Mexico to that of the United States, and to declare that the comparatively small demand for silver by Mexico would affect the value of silver to as great a degree as the many fold greater demand for silver consequent on opening our mints to silver, is absurd. The internal commerce of the United States equals the internal and foreign commerce of all Europe, outside of the British Isles, combined, and our commercial power being equal to that of all Europe it is in our power to confer as great a demand on silver as all the governments of Europe combined.

Finally we are told silver standard countries are at the bottom of the scale of civilization, and gold standard countries at the top, and we are told to look at Mexico as evidence of the degrading influences of silver monometallism. With equal justness we might refer to the retrograding condition and barbarity of the Turks as the result of the gold standard. In 1847 Holland changed from the gold standard to silver, and a few years later Germany did the same, but Dutch and German civilization did not retrograde nor was the material advancement of those countries checked. To compare the restless energy of the Anglo-Saxon races with the more sluggish southern races is folly. To see the relative effects of the appreciating gold standard and of the more stable silver standard, we must compare the Mexican of to-day, not with the Anglo-Saxon of to-day, but with the Mexican of twenty years ago, and the Anglo-Saxon American of to-day with the Anglo-Saxon American of twenty years ago. And when we do so we will find that relatively the Mexican under the silver standard has made much greater strides of progress than his northern neighbor under the gold standard, and that the comparative material development and advancement in silver-using countries has been much more rapid than in gold-using countries.

CHAPTER XXIV.

Groundless Fears of Silver Monometallism.

Nothing to be feared from free coinage.—Fear that foreign holders of American securities would dump their investments on our markets for sale at any price.—Foreign investors not blind to their interests.—Sale of their securities at panic prices would be, in effect, a voluntary peeling down of our indebtedness.—We would not be injured thereby.—Free coinage of silver would enhance not depreciate the value of securities.—Would not drive gold to a premium.—But if it did it would not increase the burden of our foreign debts.—It is with commodities not gold that we must pay our foreign indebtedness, and free coinage would increase the debt-paying power of the commodities we export.—Hence even should gold go to a premium our interest burdens would be lightened.—Our foreign trade with gold standard countries.—Great balance in our favor in our trade with Great Britain.—How Britain pays this balance.—Not enriched but impoverished by our trade with gold standard countries.—The course of our foreign trade wasteful and burdensome in the extreme.—Effect of remonetizing silver.

THE gold-monometallists affect to fear that upon the opening of our mints to the unlimited coinage of silver, European holders of American securities, fearing payment in a depreciated dollar, would throw upon our markets the securities of American railroads, and other corporate, state and municipal loans which they now hold, for sale at whatever price they would fetch. If our foreign creditors were seized with such unreasoning panic on the opening of our mints to silver as to throw on our markets for sale, regardless of price, large blocks of American securities, the inevitable result would be to cause a great fall in stock exchange prices. But who would be injured thereby? Would it be the British investor selling American securities at prices much below cost and much below the real value, or the American investor thus enabled to pick up securities at abnormally low prices?

Surely the purchaser, enabled to pick up bargains in railroad bonds and stocks and other securities, would not be injured. On the contrary, the American investor would profit at the expense of the British investor, intent only, as the gold-monometallists would have us believe, on disposing of American securities, be the sacrifice of values what it might. It is the seller who suffers from peremptory sale, be it of securities or

commodities, not the buyer. The sacrifice forced on the seller is the buyer's gain.

Nothing to Fear from Panic among Foreign Investors.

To suppose, then, that the British investor would blindly sell American securities at any sacrifice of price demanded by the American purchaser because we should open our mints to silver, is to suppose that he would be blind to his own interests. The opening of our mints to silver would not adversely affect the earning power of our railroads, and it is this earning power that gives value to railroad securities. On the contrary, with the rise in prices sure to follow on an increase of the quantity of money, business enterprise would be stimulated, the demand for transportation facilities would become greater and greater, and railroad earnings, and consequently the real value of railroad securities, increase. We have nothing to fear from the dumping of American securities held by our foreign creditors on our markets, for such sacrifice of our securities by our foreign creditors would accrue to the disadvantage of the European holders of American securities and to the profit of those American investors fortunate enough to secure the holdings of British investors at panic prices. And no one would be injured in America by this sacrifice of values on the part of our foreign creditors save, perhaps, those stock speculators who trade on margins and those who had securities pledged as collateral for loans, and who, when called upon for additional margins or more collateral as prices fell, and unable to respond, would be obliged to part with their securities at low prices. But the country as a whole would be benefited not injured, for the sale of securities held by European investors at panic prices would be in effect a voluntary peeling down of our indebtedness by our foreign creditors.

Free Coinage would not Drive Gold to a Premium.

We are also told that the free coinage of silver would drive all our gold out of the country, place us on a silver basis, and cause gold at once to go to a premium, thereby increasing the

burden of our foreign interest charges payable in gold. As we have shown, the opening of our mints to silver would not cause such export of gold as to result in placing us on a silver basis and force gold to a premium, for the very good reason that gold could not flow out faster than silver flowed in to take its place; because, if it did, it would lead to a contraction of our volume of money, lower prices, checked imports and increased exports, with the result that gold would flow back to settle trade balances; and our markets would not be flooded with silver, for the hoards of silver which we are told Europe would get somewhere, we are not told where, and dump on our markets in exchange for gold, are purely mythical. Not possessing the silver with which they could flood our markets, the opening of our mints to silver would not result in driving gold to a premium.

But, suppose the free coinage of silver did result in driving gold to a premium, how would this increase the burden of our foreign indebtedness? It is with commodities, not gold, that we must pay our foreign indebtedness. It is with wheat and cotton and corn and pork and other produce that we must pay the interest charges on our foreign indebtedness, and the burden of our indebtedness is measured by the debt-paying power of such commodities as we export in payment. Our debts are in large part made payable in gold; but we cannot pay them in gold coin. Indeed, the total production of our gold mines would not suffice to pay one-fourth of the interest charges on our foreign debt alone. We must pay our debts in produce at gold prices; and, evidently, the lighter the gold price which we get for our wheat and cotton, etc., the higher the burden of our debt, and the lower the gold price, the heavier the burden.

The Burden of our Foreign Debt.

It is not a question of how many silver dollars (supposing gold to command a premium) it would take to meet our foreign indebtedness, the annual interest on which amounts to $200,000,-000 alone, but how many bushels of wheat and corn, and pounds of cotton and pork, etc. The one question is, How would the

opening of our mints to silver, even should it drive gold to a premium, affect the gold price, and consequently the debt-paying power of our chief commodities of export? And to this there is only one possible answer. The expulsion of our gold, admitting that our gold would be exported and gold go to a premium, would cause an expansion in the volume of money in those gold countries to which it was exported, and the increased demand for silver to fill the vacuum in our own currency, leading to an increased demand for silver, would cause the price of silver to rise. Consequently, as gold became cheaper in gold countries, as the result of the export of our stock of gold to those countries, gold prices would rise, and our wheat and cotton, etc., would go farther than before towards paying our debts. It would take a smaller quantity of produce to meet interest charges, and the burden of our debts would be lightened. Further, the rise in silver would, of necessity, lead to a rise of exchange on silver-using countries, and an increased gold-cost, the silver-price remaining the same, of wheat and cotton bought in such countries. Thus the market for our products would be broadened, there would be less competition with the products of silver-using countries in the European markets; and, consequently, we would receive still better prices for our wheat and other produce.

Nothing to Fear from Gold at a Premium.

So granting that gold would go to a premium what would be the result? Suppose, for example, that gold should command a premium of 25 per cent. It would then take 125 silver dollars to pay an interest charge of $100 in gold. But it is not a question of how many silver dollars, the farmer, for instance, would be obliged to give for gold exchange to the amount of $100, but how many bushels of wheat. Receiving, as now, but 50 cents in gold, he is obliged to part with 200 bushels. If, on the silver basis, and with gold at a premium of 25 per cent., he received $1.00 for his wheat, he would be infinitely better off, even if he was obliged to part with $125 in silver to pay a gold debt of $100. In fact his wheat would go 60 per cent. further in paying gold

debts than it does now, although gold were at a premium, and 125 bushels of wheat would have as great a gold debt-paying power on the silver basis, and with gold at a premium of 25 per cent., as 200 bushels at present on the gold basis.

Even with gold at a premium, the burden of our foreign gold indebtedness would be lightened just to the extent the debt-paying power of our wheat, and cotton, and other produce was increased as the result of the export of our gold and the consequent cheapening of gold in gold-using countries, and of the rise in silver, and the consequent broadened market for such products as now come into competition with the products of silver-using countries fostered by the bounty on exports in the shape of the premium on gold. Obtaining a silver dollar for every bushel of wheat sold, even though gold were at a premium of 25 per cent., would be equivalent to receiving 80 cents in gold, and every bushel of wheat would pay 80 cents of gold indebtedness. And so it would be with other produce. Less produce would pay more indebtedness.

The truth, of course, is, gold would not go to a premium; for there is no silver that could be dumped on our markets in exchange for gold. On the contrary, Great Britain would be obliged to buy silver in America as now, or cease the purchase of wheat and cotton in the East, which she now pays for with silver bought from us at half price. Consequently, the demand for our wheat and cotton would increase, and prices rise to that point where it would be to the advantage of the British trader to pay the mint price for our silver and send it to India for wheat and cotton rather than pay any higher prices for our products. Thus the needs of the British consumer would lead to the restoration of the parity between gold and silver.

Our Trade with Gold Standard Countries.

For the surplus products of our labor, for the wheat, the corn, the pork, the beef, the cotton, the petroleum, etc., that we have produced year after year in excess of the demands for domestic consumption, we have found, for the greater part, a market

in the gold-standard countries of Europe. Indeed, of our total exports, which for the past ten years have averaged in value to over $800,000,000 annually, the gold-using countries of Europe have taken upwards of eighty per cent., while Great Britain alone has taken nearly fifty per cent. of the whole.

Of our total exports seventy-five per cent. consists of agricultural products, and of the remainder a considerable portion is made up of petroleum and other mineral and raw products, so that exports of manufactured articles cut a comparatively unimportant figure. It is on the products of our farms that we have to chiefly rely in settling old debts and paying for what we buy abroad. Our exports to Europe consist, almost entirely, of wheat and wheat flour, corn, pork, beef and other food products, cotton and petroleum. Much of what we send abroad is sent in payment of interest on old debts, in settlement of freight charges due foreign shipowners, and to cover the expenses of Americans abroad. For the remainder our foreign customers pay directly or indirectly with manufactured goods.

Our Trade with England.

Our exports to Europe consisting of food products and raw materials, have footed up to over $600,000,000 annually during the past few years, and of this Great Britain has taken two-thirds, or upwards of $400,000,000. Our exports to the Continent of Europe are approximately balanced by imports, chiefly of manufactured goods. But not so with Great Britain. For the fiscal year ending June 30th, 1895, we sent Great Britain produce to the value of $387,125,458, a considerable falling off in value, though not in quantity, over previous years, while our imports from Great Britain amounted to but $159,083,243. Thus there was a balance in our favor in our merchandise trade with Great Britain of nearly $230,000,000, while during the past ten years this balance in our favor has averaged $240,000,000.

Such being the case, the question arises, How does Great Britain offset this balance? How does she manage to pay for this large excess of what she buys from us over what she sells to us?

How England Pays for what She Buys.

She does so in several ways, and, large as this merchandise balance in our favor has been, and is, it has proven insufficient to meet the payments we have to make in London, other than those arising from purchases of goods of British manufacture, with the result that year after year we have run further and further into debt. To the British creditor classes we are largely indebted, and to meet interest charges on our foreign debt we must send abroad yearly large sums in gold or merchandise in excess of what we buy, unless, indeed, as to a considerable extent has been the case, our foreign creditors see fit to invest the interest, as it falls due on our indebtedness, in American securities. Besides we must either send merchandise or gold to London, or borrow, to cover the expenses of Americans traveling and living abroad, and also, having no merchant marine of our own, we must pay foreigners for the use of their ships, in fact for the loan of their capital invested in ships and the services of their seamen, in our foreign carrying trade. These three items, interest, expenses of Americans abroad and freights due foreign shippers mount up to more than sufficient to offset the value of our exports to Great Britain in excess of our imports.

The Course of our Foreign Trade.

But there are other and large charges against these exports, and so it is that we have found it not only impossible to reduce our foreign indebtedness, but we have been obliged to run further and further into debt. From the West Indian Islands and Brazil, as well as British India, the East Indies, China and Japan, we import largely in excess of our exports to those countries—to an amount of nearly $200,000,000 yearly. And for the sugar and coffee and silks and teas and spices which go to make up a great part of this balance we must pay. To the above countries Great Britain exports largely of manufactured goods, and it is indirectly with these goods of British manufacture, made with American cotton and by British workmen fed with American wheat, that

we pay for our imports from South America, the West and East Indies, China and Japan. Thus we find a triangular trade between America, Great Britain and those countries; British ships sailing with goods from British ports to ports in South America and the Orient, thence sailing to American ports with sugar, coffee, silks, teas and spices, and finally returning to Great Britain laden with American cotton and food products.

Burdensome and Wasteful in the Extreme.

It can hardly be said that the course of our foreign trade—the exchange of American foodstuffs and cotton for European manufactures, and the complicated exchange of American products for British manufactures with which, in turn, to pay for purchases of teas and silks and coffee and spices and other tropical products—is an economical exchange of our surplus products for the surplus products of others. Indeed, it is wasteful and burdensome in the extreme, for it is indisputable that the farmer would be infinitely better off if he had a home market for the whole of his product, and was not obliged, as now, to seek a market abroad for a large portion of his crops. The long-distance exchange of foodstuffs and cotton for manufactured articles is wasteful, and greatly reduces the recompense which the farmer receives for his labor on the one hand and the factory-hand on the other.

The cost of sending a bushel of wheat from the Minnesota wheat fields to London is about 30 cents. So we find the British consumer paying over 70 cents for a bushel of wheat, while the Minnesota farmer gets but 40 cents. In other words transportation charges, commissions, etc., have added 75 per cent. to the cost of wheat to the British consumer over the price received by the Minnesota farmer. Consequently, the British factory-hand is obliged to pay 75 per cent. more for his bread than the wage-earner in a factory located near the Minnesota wheat fields. So, to the real cost of the goods manufactured in England and sent here in exchange for our products must be added the cost of transporting the cotton and other raw materials of manufacture

and of the food eaten by the factory operator of Great Britain from America and elsewhere.

Consequently, the British factory hand is ground down, and he is obliged to put up with poorer wages, poorer lodgings and inferior and less food than the wage-earner in the American factory, located nearer the wheat and cotton fields. An exchange of products is indisputably wasteful that necessitates a tax or an enhancement of the price paid by the consumer of wheat of 75 per cent. over the price received by the wheat raiser, while for the manufactured goods the wheat raiser receives in return he is obliged to pay 50 per cent. more than the price received by the manufacturer, owing to his distance from the factory and the accumulation of transportation and other charges. Yet such is the waste that is entailed in exchanging the wheat of Minnesota for the manufactures of Great Britain.

This waste of energy in transportation from Minnesota to the seaboard and across the ocean and the employment of numerous middlemen, whose services cannot be dispensed with when the consumer and producer are thus widely separated, is equivalent to a tax on production equal to the enhanced price of the wheat paid by the British consumer over the price received by the Minnesota farmer on the one hand, and on the other hand to the enhanced price for manufactured goods imported from Great Britain, paid by the Minnesota farmer over the price received by the British manufacturer. And paying for the products we buy from the countries to the south of us—by sending wheat and cotton, etc., to England and thence manufactured goods in payment—is equally wasteful. It may be urged that if this exchange of products were not advantageous, it would not be carried on; but artificial causes force trade into unnatural and wasteful channels.

The Market for our Agricultural Products.

We are not growing rich from our foreign trade. Indeed, the export of agricultural and other products at present low prices is ruinous, especially as the prices received for the prod-

ucts we export have fallen much farther than the prices paid for our imports. Yet anything that would disturb this trade the gold-monometallists look upon as destructive. Reminding us that we find in gold standard countries a market for the greater part of our surplus agricultural products, they tell us that it would be folly to attempt to restore bimetallism, as it would upset our trade with gold standard countries and jeopardize the market for our agricultural products.

It is indeed true that we find a market in Europe, and Great Britain especially, for much of our agricultural products; but we are obliged to meet in those markets the ruinous competition with the producers of silver-using countries, enjoying, in the shape of a premium on gold, a bounty of 100 per cent. on all their exports to gold-using countries, with the result that they have been enabled, as silver has fallen, to cut prices, so that now, that silver has fallen, as measured in gold, nearly 50 per cent., our farmers have been obliged to cut prices in half to find a market. It is thus we find a market in Europe for our surplus agricultural products under the gold standard.

Effect on our Foreign Trade of Free Coinage.

And how would the opening of our mints to silver, leading to an increased demand for silver and a decreased demand for gold, resulting in turn in an advance in the price of silver as measured by gold and causing the removal of the bounty which our silver-using competitors now enjoy, result in curtailing our markets for agricultural products? Far from curtailing the market, the restoration on our part of bimetallism by opening the mints to silver would give our farmers a greater and greater control over the market, and the demand for our products would increase and prices rise just as silver advanced and our silver competitors were deprived of the bounty they now enjoy, and consequently would find it no longer profitable to offer their produce for a gold price which, though enhanced, would yield them less in silver than at present.

The truth is, under gold-monometallism our foreign trade

is impoverishing us, and nothing will enable us to pay our foreign indebtedness save a return to bimetallism, for it is with commodities we must pay our foreign indebtedness, and an export of a sufficient volume of produce to do so at present low prices is quite impossible. We must get better prices for the products we export in payment of our debts, and to get better prices we must return to bimetallism, for only by so doing can we check the appreciation of gold and take away from our silver competitors the bounty which at present enables them to depress prices.

CHAPTER XXV.

Playing into England's Hands.

British aggressions in the past.—Undermining our financial and industrial independence.—Guarding the mere name of liberty while submitting to the yoke of slavery.—Discarding silver leads to appreciation of gold.—Appreciation of gold to industrial paralysis.—Industrial paralysis to impoverishment and distress.—And increasing poverty must end in the enslavement of our producing classes to a moneyed aristocracy.—A note of warning.—Hopeless toil breeds despair.—Despair hate and hate revolution.

WORKING in the interest of the trading classes and prompted by selfish motives, it was, during the greater part of the eighteenth century, the great aim of British statesmen to secure to the mother country the monopoly of trade with her colonies. Following the dictates of the traders she interdicted all foreign commerce with her colonies, it being her constant endeavor to force the thirteen colonies of North America to trade with British traders and with them alone. The only market legally opened to the products of the colonies was the British market, and to the British market they were restricted for their purchases. There was demand in France for American products, and demand in America for French products and the products of the Orient, but these mutual demands could only be satisfied through the medium of British traders.

At the same time American domestic manufactures were interfered with, and even trade between the different colonies prohibited. Thus the consumer was separated from the producer, and all were forced to trade through the British monopolist, who taxed the producer when he bought and the consumer when he sold. Against this interference with trade, this attempt to make them the subjects, the drudges and slaves of England, the patriots of the thirteen colonies revolted and threw off the British yoke.

In the Grasp of a Moneyed Aristocracy.

Thus Britain failed in her effort to rule the American people without regard to their own welfare and for the benefit of British monopolists. The effort was made openly, was seen and was

foiled. But, although baffled in their first attempt, the English monopolists were not disheartened; they were not ready to surrender the richest harvest in the world without a further struggle. Seeing the impossibility of succeeding openly and by force they have worked slowly, carefully and clandestinely. Their attack not having been seen, has not been met, and now they are in the very act of fastening their clutches on the American people for all time and making their position impregnable.

Yet many Americans silently permit themselves to be led astray by false leaders! They who pride themselves on their vaunted freedom and liberty, they who poured out their blood like water for the abolition of chattel slavery, to free 4,000,000 of negro slaves, now submit to the extortions of monopolies and trusts that control the necessaries of life with the result that the wage-earners can only have access to them on the terms of the monopolist! The same American people bend their necks to the worst form of slavery—slavery much worse than the negro bondage, more heartless, more degrading than chattel slavery in its darkest form. Silently, Americans, men who would willingly sacrifice life and property for the maintenance of the mere name of Liberty, aid the British traders and those with alien interests in America to fasten the yoke of slavery on their necks. Unknowingly they play into England's hands. What England could never accomplish openly she is accomplishing silently and with the aid of the very Americans who pride themslves on their patriotism.

Undermining our Independence.

By the destruction of our industrial and financial independence, our political independence is being undermined, our people are being reduced to the condition of the English workman, who has long been preyed upon by the English creditor classes and degraded to a condition of abject slavery through the unequal distribution of wealth—a condition eloquently described by John Ruskin when he said: "Though England is deafened with spinning wheels, her people have not clothes; though she is black

from the digging of coal, they die of cold; and though she has sold her soul for gain, they die of hunger."

To this condition America is rapidly being reduced. At the bidding of the English creditor classes we demonetized silver, doubled the burden of our debts, and inaugurated a system that has caused a ruinous fall of prices, resulting in the reduction of thousands of honest laborers to pauperism that a few rich aliens might gain. Blind to all our true interests, the United States, the greatest silver-producing country in the world, discarded silver as a money metal, with the result that silver fell 50 per cent. So we sell to England our silver at about 53 cents on the dollar (69 cents an ounce),—silver that England must have to carry on her Eastern trade; silver which goes as far to-day in all silver countries as it did when England was paying us $1.29 an ounce, with the result that the price of American wheat and American cotton has been forced down with the fall in silver. By demonetizing silver we placed the lever in England's hands with which to fix the prices of our products.

The Appreciation of Gold.

As silver has been gradually discarded, and the basis on which all paper money and bank credit rests restricted to gold, the volume of money has been contracted, money has become scarcer and dearer, and prices have fallen. Since 1873 prices of agricultural products have been more than cut in half, while the general level of prices has fallen nearly 40 per cent., and as three-fourths of our exports consist of agricultural produce, we have found it especially difficult to meet the interest charges on our foreign debt, and, together with the expenses of the Americans traveling abroad and freights due foreign shippers, quite impossible. As a result the principal of our foreign debt has rapidly increased.

Does Injustice to Debtors.

An appreciation of money works great injustice to all debtors, for as prices fall they are obliged to part with more and more

of the produce of their labor to meet interest and principal. Further, our municipalities are largely and generally in debt, salaries of public officials have not been reduced, and this has made it impossible to reduce taxes, although they have become doubly burdensome. Then, too, the railroads are heavily indebted, and to earn interest charges they are obliged to keep up transportation rates. (Inability to do so has forced many into bankruptcy). Consequently, the increased burden of interest charges on railroad, as on municipal indebtedness, is borne ultimately by producers in general.

And Impoverishes the Producing Classes.

Great injustice has been done debtors by the appreciation of gold, but much as debtors have suffered by the increased burden of their debts, the injuries inflicted on society, aside from any question of indebtedness, have been infinitely greater. As money appreciates the owners of money hesitate to invest it in productive industries. Prices of all products of labor continually falling, and the market for all products of labor becoming limited —because when prices are falling all merchants endeavor to carry as small a stock as possible, so as to avoid losses by depreciation of their goods and restrict their purchases to absolute needs— productive industries become unprofitable. Consequently, seeing no profit in investing their money in productive enterprises, but much risk, the owners of money naturally prefer to keep their money idle, especially as through the fall in prices, it increases in value in idleness, even while locked in safe deposit vaults. Hence the tendency is to withdraw money from, rather than invest money in, productive enterprises. The result is production is curtailed and business paralyzed. Further, while prices are falling, owners of money are not anxious to exchange their money for the products of labor as they are when prices are rising. Hence producers have to seek buyers, often in a distant market, are obliged to employ middlemen and pay commissions that on a rising market would be unnecessary, and finally, to obtain a market, are obliged to sell their produce in many cases even at a

loss. The appreciation of gold thus represses industry, for incentive to production is destroyed, throws multitudes out of employment, and reduces thousands of others to poverty.

Enslavement of our Producing Classes.

Further, money becoming centered in the hands of the few, their power to manipulate the markets, to raise and depress prices by arbitrarily expanding and contracting loans is enhanced, and unscrupulous men are ensconced in a position where they can accumulate colossal fortunes by appropriating to themselves the property of those who toil. Thus a powerful aristocracy of money is being created. We see speculators becoming richer, while manufacturers, as well as farmers, all who have invested their money in productive industries, find themselves brought to the verge of ruin by the depreciation of property, and the wage-earning classes are reduced to distressing poverty. Further, we see the same class encroaching more and more on the liberties of our people, debauching the representatives of the people and dictating legislation that will tend to make them richer and the poor poorer, until our boasted government of the people, for the people, and by the people, has well nigh become a government of the rich, for the rich, and by the rich.

Our People must Awaken from their Lethargy.

Unless the people awaken from their lethargy our country will fall the prey to grave disorders. To quote the words of Dr. W. H. Smith, in a little book of much merit, *The Effects of the Gold Standard*.' "The man who finds that society, by a change in its monetary standard, has despoiled him of property, which he knows is his of right, feels bitter towards organized society. He sees in it nothing but organized injustice. He sees:

> 'Right forever on the scaffold,
> Wrong forever on the throne,'

and determines that the throne and all who uphold it shall fall."

A Note of Warning.

Last winter, Senator Tillman, speaking in the United States Senate, and pouring plain truths into unwilling as well as willing ears, sounded this note of warning:

"You have already been told in glowing language by the eloquent Senator from Missouri that the conflict is 'irrepressible,' and it is easy to see from the temper and feeling of the equally distinguished Senator from Colorado and other Western Senators that the struggle for the new emancipation has begun. And the new Mason and Dixon's line which is drawn, not by the surveyor, but by the denial of the natural and inalienable 'right to life, liberty, and the pursuit of happiness' to a large majority of citizens, will sooner or later bring together in the bonds of union the toiling and now down-trodden masses of the cities and the equally desperate masses of the country; agrarianism and communism will join hands. There are millions now on the march, and they tramp, tramp, tramp; tramp the sidewalks hunting work and tramp the highways begging bread. Unless relief comes they will some day take a notion to tramp to Washington with rifles in their hands to regain the liberties which have been stolen from them or which their representatives have sold; and the hitherto conservative force of the Republic, the well-to-do agricultural class, will lift no hand to stay the march, but join it. God grant that our country may be spared the enactment of such scenes as were witnessed in Paris in 1789. But the fair flower of liberty planted by Jefferson in the immortal declaration of the 4th of July, 1776, watered by the blood of our Revolutionary sires under Washington, cannot be uprooted or smothered by the noxious weeds of monopoly and class privilege without bloodshed; and a cataclysm which will give us a military despotism or leave the Republic redeemed, regenerated, and disenthralled is just as sure to come as yonder sun shines in the heavens, unless we do our duty here and take the hands of these conspirators off the people's throats and give them an opportunity to breathe, to work, to live."

The appreciating gold standard is leading irresistibly, inevi-

tably to the impoverishment and degradation of our producing classes. The picture drawn by Senator Tillman is not overdrawn. It contains a warning that must be heeded, a warning that we cannot afford to scoff at, or his prophecy will be fulfilled. Hopeless toil breeds despair, despair breeds hate, and hate revolution.

The appreciation of gold must be checked.

CHAPTER XXVI.

What We Must Do to Win.

Bimetallists must unite.—Success of the gold monometallists due to dividing their opponents.—Their motto "Divide and rule."—The motto of Bimetallists must be "United we stand, divided we fall."

It is firmly believed by bimetallists, and as generally feared by the gold monometallists, that those believing in bimetallism form a great majority of our people, and that if all bimetallists will unite on a common platform and a common candidate they will sweep the country. It is, therefore, our first and most important task to unite our forces, so that the votes cast by those believing that the restoration of prosperity is bound up with the restoration of bimetallism be not scattered and our voting strength wasted.

Success of the Gold Monometallists in the Past.

The gold-monometallists have taken well to heart the old Roman maxim, "Divide and Rule," and it is on their faith in their ability to divide the forces of those insisting on the restoration of bimetallism by independent action on the part of the United States, and without waiting for the consent or co-operation of any foreign power, into different and warring factions, that they pin their hopes of victory next November. Ever since silver was demonetized in 1873 the gold contractionists have succeeded in dividing, and thus nullifying, the voting strength of those demanding the restoration of silver to its place as money. By dividing the forces of their opponents, they have succeeded since 1875–6,—when, as it became known that the Mint Act of February 1873 had dropped the silver dollar from the list of coins, the demand for the restoration of silver became general,—in preventing the reopening of our mints to the free coinage of silver. And what they have succeeded in doing in the past they expect to succeed in doing in the future.

Strength of the Gold Contractionists.

Though numerically weak the gold contractionists have had, and have, the strength that is born of unity of action and purpose, and which is irresistible when directed against a divided opposition. By dividing the bimetallists against themselves the gold-monometallists have been enabled to hold the balance of power and to dictate the financial policy of the country. Our people have time and again elected representatives pledged to work for the restoration of bimetallism, but, lacking organization, without leadership, unable to agree on a common plan of action among one another and consequently working at cross purposes, their efforts have been futile. In 1878 a presidential veto and finally compromise defeated free coinage, and again in 1890 compromise was the weapon successfully used by the gold-monometallists to combat those working for the remonetization of silver.

The chosen representatives of the people failing year after year to carry out their pledges, the people have naturally come to distrust their political leaders. And taking advantage of this, the gold-monometallists are doing all in their power to foment such jealousies and mutual distrust between the bimetallists who have hitherto acted with the different parties as to make the union of their forces impossible. By harboring mutual distrusts and jealousies the bimetallists among all parties are playing into the hands of the gold contractionists.

Bimetallists Must Unite.

Those of all parties who believe that the restoration of silver to its place as money can alone bring prosperity to our producing classes must put aside mutual dislikes and petty jealousies, cease to work at cross purposes and unite their forces. Unless they do so their efforts will be fruitless. If the money cliques can succeed in keeping bimetallists who have hitherto acted with Democratic or Republican or Populist parties apart, and at loggerheads with one another, their plan of campaign so persist-

ently and successfully followed of "Divide and Rule" will again be crowned with success.

United We Stand, Divided We Fall.

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